China Wah Yan Healthcare Limited
中國華仁醫療有限公司

Stock Code: 648

Annual Report 2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

CHAN Ka Chung *(Chairman)*
CHEUNG Wai Kwan
WANG Jianguo
HUI Ka Chun *(resigned on 16 April 2015)*

Independent Non-executive Directors:

CHAN Yee Ping, Michael
HU Xuezhen
LAM Chun Ho
WU Yan *(resigned on 22 March 2016)*

AUDIT COMMITTEE

CHAN Yee Ping, Michael *(Chairman)*
HU Xuezhen
LAM Chun Ho
WU Yan *(resigned on 22 March 2016)*

REMUNERATION COMMITTEE

CHAN Yee Ping, Michael *(Chairman)*
CHAN Ka Chung
HU Xuezhen
LAM Chun Ho

NOMINATION COMMITTEE

CHAN Yee Ping, Michael *(Chairman)*
CHAN Ka Chung
HU Xuezhen
LAM Chun Ho

CORPORATE GOVERNANCE COMMITTEE

CHAN Yee Ping, Michael *(Chairman)*
CHAN Ka Chung
CHEUNG Wai Kwan
HU Xuezhen
LAM Chun Ho
WANG Jianguo
WU Yan *(resigned on 22 March 2016)*
HUI Ka Chun *(resigned on 16 April 2015)*

COMPANY SECRETARY

LAM Sung Him, Gaston

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Wuhu Yangzi Rural Commercial Bank Company Limited

LEGAL ADVISERS

Baker & Mckenzie
Norton Rose Fulbright Hong Kong
W.K. To & Co.

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

36th Floor, Times Tower
391–407 Jaffe Road
Wanchai
Hong Kong

WEBSITE

www.chinawahyan.com

STOCK CODE

648

CHAIRMAN'S STATEMENT

Dear Shareholders and Partners,

The year of 2015 was a challenging year for China Wah Yan Healthcare Limited (the "Company", together with its subsidiaries, the "Group"). The Group recorded consolidated net loss of HK$364.7 million (2014: HK$41.8 million). This was mainly attributable to (i) one-off non-cash losses of HK$272.2 million (provision/impairment losses due to non-compliance of the Tumour Medical Business, with-holding tax provision from an internal restructuring to segregate certain assets from the Tumour Medical Business, share option expenses and fair value loss from mandatory conversion of convertible bonds into shares of the Company as well as decrease in the fair value of the financial assets held for long term purpose); and (ii) substantial decrease in gross profit contribution from the Tumour Medical Business.

2015 was also a year of change for the Group. During the year, the Group made efforts in establishing a new business portfolio comprising the health management business, the medical and well-being business and the asset management business to mitigate the negative impact of the deterioration of the Tumour Medical Business due to regulatory issues. The Group completed the acquisition of the Health Management Business in April 2015 and managed to substantially increase its revenue by 49.0% from the previous year despite the decline in the Tumour Medical Business. As at 31 December 2015, the Health Management Business had about 31,000 memberships.

However, due to the fierce competition in the industry and the weakening economy of The People's Republic of China (the "PRC"), the Group will continuously review its business strategies regarding this business segment. In February 2016, the Group introduced a strategic investor to the Health Management Business with a view to leveraging on his expertise to enhance the operation of the Health Management Business. The Eye-care Business continued to suffer loss for the year amidst soft economy in Hong Kong and decline in demand for luxury optical products. Resources will be allocated to leverage on the brand value of Hong Kong Optical and accelerate the synergy among the Eye-care Business, other business lines of the Group and joint venture partners. As to the Tumour Medical Business, it has been the Group's intention to procure appropriate investors to mitigate the risk. However, the medical and well-being business segment shall remain the Group's core focus and will continue to seek appropriate business opportunities to strengthen this segment.

The Group's investment portfolio comprised investment in financial/fixed/distressed assets in Hong Kong with total asset value of HK$379.4 million as at 31 December 2015. The Group currently holds 19.62% equity interest of Rui Kang Pharmaceutical Group Investments Limited ("Rui Kang") and 29.3% equity interest of IR Resources Limited ("IR Resources"), both of which are listed on the Growth Enterprise Market of the Stock Exchange. In 2015, the Group became the single largest shareholder of Rui Kang. The Group introduced Rui Kang to become a shareholder of the Health Management Business for expertise of Rui Kang in healthcare services and products to complement the services and products offerings of the Health Management Business. As a strategic shareholder, the Company also supported and participated in the rights issue of Rui Kang in August 2015. During the year, Rui Kang streamlined its business portfolio through disposal of non-performing businesses and acquisitions (as fueled by the new funding received from the rights issue) to include provision of medical laboratory testing and health check services and distribution of beauty and skincare products in Europe. Given the above, the Group, with the intention to take a more active role in steering the direction of Rui Kang Group's future business development for creation of synergy with the Group, proposed a voluntary conditional securities exchange offer to the board of directors of Rui Kang to acquire all of the issued shares of Rui Kang in February 2016.

IR Resources is principally engaged in (i) forestry and agricultural business and (ii) resources and logistics business. As part of the Group's investment in distressed assets, the Group acquired an aggregate of 29.3% equity interest in IR Resources when trading in the shares of IR Resources was suspended. In view of the resumption of trading in the shares of IR Resources on 26 February 2016, the Group has undertaken to participate in the rights issues of IR Resources for business development at an investment amount of HK$71 million. The Company considers its investment in IR Resources is a good demonstration of the competence of its management team in distressed asset investment.

In view of the growth opportunities for non-bank financing sector in Hong Kong, the Group obtained a money lender licence in 2015 and intends to commence the loan financing business in 2016 and, in order to create a sound base and cost effective platform for expansion of the loan financing business, it will keep abreast of opportunities for financial products and services platforms which add value to the loan financing business.

The Group's cash flow from operations and assets are mainly denominated in Renminbi and Hong Kong dollar, whilst liabilities are mainly denominated in Hong Kong dollar and Japanese Yen. Therefore, the recent depreciation trend of Renminbi and depreciation of Hong Kong dollar against Japanese Yen have combined unfavourable impact on the Group's Japanese Yen-denominated borrowings and interest repayment. During the year, the Group considered it is necessary to manage and reduce its debt exposure to Japanese Yen as and when appropriate and entered into a standby equity credit arrangement for such purpose.

The Company raised more than HK$300 million through a number of equity fund raising exercises including placing of new shares and convertible bonds (which had been fully converted into shares) during the year to strengthen its capital base and for business development. Going forward, the health management business segment, the medical and well-being business segment and the asset management business segment will remain the Group's principal focus and the management of the Group will continue to review and streamline the Group's business and asset portfolio to optimize return to shareholders.

Looking into 2016, downward correction trend of the economy in Hong Kong and the PRC is likely to continue. The Group, while will stay focused on consolidating its business strengths to generate greater returns from its existing assets and operations, remains open to strategic and attractive investment opportunities for becoming a comprehensive healthcare and well-being service provider and establishing an one-stop asset management platform.

I, on behalf of the board of directors of the Company, would like to thank our shareholders for your support and loyalty and express my sincere gratitude to our partners, management and staff for your effort and contribution in the past years. I look forward to your continuing trust and support in the years to come.

Chan Ka Chung
Chairman

Hong Kong, 15 March 2016

OVERVIEW

The Group is principally engaged in (i) the health management business (operation of a chain of sports and healthcare clubhouses under the brand name of "Megafit") (the "Health Management Business") in the PRC; (ii) the medical and well-being business (operation of a chain of optical products and eye-care services retail shops (the "Eye-care Business") under the brand name of "Hong Kong Optical" in Hong Kong and a chain of medical centres specialising in the diagnosis and treatment of tumours in the PRC (the "Tumour Medical Business")) and (iii) asset management business (investment in financial/fixed/distressed assets and loan financing).

REVIEW OF THE FINAL RESULTS

Revenue

During the year ended 31 December 2015 (the "Reporting Year"), the revenue of the Group substantially increased by 49.0% from the year ended 31 December 2014 to HK$127.2 million mainly due to the contribution of the Health Management Business of HK$86.0 million (2014: HK$Nil) and the Eye-care Business of HK$31.5 million (2014: HK$2.4 million) (the acquisitions of which were completed in April 2015 and November 2014, respectively). Due to the Group's reduction of its business interest in the Tumour Medical Business in 2014 and the further deterioration of the business, the Tumour Medical Business recorded revenue of only HK$9.7 million during the Reporting Year (2014: HK$83.0 million), representing a significant drop of 88.3%.

Gross Profit

During the Reporting Year, the Group recorded gross profit of HK$28.4 million (2014: HK$67.1 million) at gross profit margin of 22.3% (2014: 78.6%). The decline in the Group's gross profit and gross profit margin was mainly due to the substantial decrease in revenue from the Tumour Medical Business which used to command a higher profit margin than other business lines and the increase in revenue contribution from the Health Management Business and the Eye-care Business which commanded lower gross profit margins.

Impairment loss on trade receivables

The Company received a notice from its business partner of one of the Group's major medical centres (the "First Subject Medical Centre") in July 2015 that settlement of the Group's trade receivables by the relevant hospital partner would be halted until certain non-compliance matters relating to the First Subject Medical Centre are rectified. The said notice also warned that if such non-compliance matters remain unresolved, operation of the First Subject Medical Centre might be forced to terminate. In the same month, the business partner of another medical centre (the "Second Subject Medical Centre") also warned that the non-compliance matters relating to the Second Subject Medical Centre must be immediately rectified without any further delay. The Group was given to understand that the principal substance of the non-compliance matter referred to the involvement of the Group's principal operating subsidiary of the Tumour Medical Business (a majority foreign controlled enterprise) in the operation of the First Subject Medical Centre and the Second Subject Medical Centre, which are located at the PRC military hospitals, following the promulgation of the CCMC Audit and Rectification Exercise (as defined below) in April 2015. Since the other medical centres of the Group are also located at the PRC military hospitals and the arrangements are similar to those of the First Subject Medical Centre and the Second Subject Medical Centre, similar or even more radical actions may be imposed by the hospital/business partners of the Group's other medical centres. After assessment on the recoverable amount of the relevant trade receivables from the Tumour Medical Business as at 31 December 2015, an impairment loss of HK$17.2 million had been provided as at 31 December 2015.

Tax provision in connection with the Group's restructuring

As part of the Group's efforts to mitigate the regulatory and business risks in association with the Tumour Medical Business and its underlying business/assets, an internal restructuring was conducted during the Reporting Year to transfer the Group's interest in certain healthcare related investments/assets previously held under the Tumour Medical Business to another member of the Group. According to the relevant PRC tax rules and regulations, such restructuring may potentially create a tax liability of HK$67.1 million. Accordingly, withholding tax of HK$67.1 million had been provided as at 31 December 2015.

Loss arising from extinguishment of convertible bonds

The Company issued two tranches of convertible bonds (the "CBs") in the aggregate principal amount of HK$86.7 million in October 2014 and January 2015, respectively. In April 2015, the Company entered into deeds of amendment with the relevant subscribers of the CBs to amend the conversion price of the CBs and the subscribers would be deemed to have fully exercised the conversion rights under the CBs at the adjusted conversion price. Such change in the conversion price of the CBs and the subsequent extinguishment of the CBs resulted in the Group having recorded a fair value loss in the amount of HK$69.4 million for the Reporting Year.

Loss for the year

For the Reporting Year, the Group recorded consolidated net loss of HK$364.7 million (2014: HK$41.8 million) and loss attributable to the owners of the Company of HK$436.5 million (2014: HK$61.1 million) mainly attributable to (i) the various non-cash provision and impairment losses as mentioned above; (ii) decrease in gross profit; (iii) increase in administrative, financing and employee related expenses (mainly resulted from expansion of the Group's business portfolio and increase in commission expenses paid to the placing agents for fund raising activities); and (iv) decrease in the valuation of capital assets and financial assets.

Basic and diluted loss per share of the Company for the Reporting Year were HK24.49 cents (2014: HK7.00 cents) and HK24.49 cents (2014: HK7.00 cents), respectively.

BUSINESS REVIEW

Health Management Business Segment

Acquisition of the Health Management Business was completed in April 2015. During the period from April to December 2015, the Health Management Business recorded revenue and gross profit of HK$86.0 million and HK$15.4 million respectively (representing 67.6% and 54.0% of the Group's consolidated revenue and gross profit, respectively) and net loss attributable to the Group of HK$3.6 million. The Health Management Business has shown continuous improvement during the past years in terms of revenue, gross profit margin and net loss (for each of the years ended 31 March 2012, 2013 and 2014, revenue amounted to: HK$85.2 million, HK$97.6 million and HK$106.7 million, respectively; gross profit margin were: 10.7%, 15.7% and 18.1%, respectively; and loss amounted to: HK$14.1 million, HK$7.6 million and HK$7.0 million, respectively). However, given the fierce competition in the industry and the slow down in the PRC economy, the Group will continuously monitor and review the business development strategies of this business segment. In February 2016, the Group introduced a strategic investor to the Health Management Business with a view to leveraging on his expertise to enhance the operation of the Group's sports and healthcare clubhouses in the PRC. As at 31 December 2015, the Group's sports and healthcare clubhouses had about 31,000 memberships.

Medical and Well-Being Business Segment

Eye-care Business

2015 was a challenging year for the Eye-care Business. The Eye-care Business continued to suffer loss for the Reporting Year amidst weakening economy and sliding demand for luxury optical products. Although less affected by decline in tourist spending in 2015, the Eye-care Business adopted cautious approach to review and adjust store portfolio during the year (including strategically relocating out from less cost-effective locations to more cost-effective ones). Certain measures were also adopted to improve operational management efficiency and strengthen procurement capability. In addition, efforts have been made to accelerate the synergy among the Eye-care Business, other business lines of the Group and joint venture partners.

Tumour Medical Business

The Group's income from the Tumour Medical Business is mainly derived from leasing of medical equipment and provision of consultancy service under its medical centres established with its hospital and/or business partners through arrangement that (i) the Group's hospital partners provide premises of the underlying medical centres; (ii) the Group provides medical equipment to these medical centres through long term leasing arrangement; and (iii) the Group and/or its business partners provide management services to these medical centres. During the Reporting Year, income derived from this business line decreased substantially to HK$9.7 million from HK$83.0 million for the year ended 31 December 2014 mainly attributable to the decrease in the number of medical centres operated by the Group and the deterioration of the Tumour Medical Business resulted from the growing regulatory pressure on the underlying arrangement/cooperation with the hospital/business partners.

In April 2015, the Central Committee of the Military Commission of the PRC promulgated to conduct a national-wide audit exercise on military hospitals (the "CCMC Audit and Rectification Exercise") to audit and rectify the non-compliant operations, under which operations involving provision of for-profit services by military hospitals will be assessed and if such for-profit operations involve entities which are majority foreign owned, they will be forced to cease operation. All of the Group's existing medical centres are located at the PRC military hospitals and their operation is carried out by a Group's non-wholly-owned subsidiary, a majority foreign controlled enterprise. The above-mentioned halt of settlement of the Group's trade receivables pending the Group's rectification of such non-compliance matters has appeared to the Group that the business model of the Tumour Medical Business is not in compliance with the relevant requirements pursuant to the CCMC Audit and Rectification Exercise for reason that the Group's principal operating subsidiary is a majority foreign owned enterprise. It has been the Group's intention to procure appropriate investors to the Tumour Medical Business for risk management.

Asset Management Segment

Investment in financial/fixed/distressed assets

The Group's investment portfolio comprises investment in financial/fixed/distressed assets in Hong Kong. This segment had total assets of HK$379.4 million as at 31 December 2015 (31 December 2014: HK$117.7 million) and, due to the decrease in fair value of the Group's assets held for long term purpose (including the impairment loss of the Group's investment in Rui Kang of HK$40.7 million) as a result of the downturn in economic condition and stock market sentiment during the second half of 2015, recorded a segment loss of HK$87.4 million for the Reporting Year (2014: loss of HK$0.1 million).

Under the asset management segment, as at 31 December 2015, the Group holds 19.62% shares of Rui Kang (together with its subsidiaries, the "Rui Kang Group"), 29.3% shares of IR Resources (together with its subsidiaries, the "IR Resources Group"), both of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and certain securities listed on the Main Board of the Stock Exchange.

The Rui Kang Group, prior to the Group's investment in it, was engaged in the manufacture, research and development, sale and distribution of consumer cosmetic, health related and pharmaceutical products in the PRC and Hong Kong and has recently extended its business portfolio to provision of medical laboratory testing and health check services and distribution of beauty and skincare products in Europe following a number of acquisitions in 2015. The Group became a strategic investor and the single largest shareholder of Rui Kang through subscription of 20.4% equity interest of Rui Kang. In February 2015, the Group introduced Rui Kang to become a shareholder of the Health Management Business with a view to leveraging on the expertise of Rui Kang in the healthcare services and products to complement the services and products offerings of the Health Management Business. As a strategic shareholder, the Company also supported and participated in the rights issue of Rui Kang in August 2015 with an investment amount of HK$37.1 million. In the second half of 2015, the Rui Kang Group, streamlined its business portfolio through disposal of non-performing businesses and acquisitions (as fueled by the new funding received from the rights issue) to include provision of medical laboratory testing and health check services and distribution of beauty and skincare products in Europe which could provide grounds for cooperation between the Group and the Rui Kang Group. Given the above, the Group, with a view to taking a more active role in steering the direction of Rui Kang Group's future business development to complement and create synergy with the Group, in February 2016, proposed a voluntary conditional securities exchange offer to the board of directors of Rui Kang to acquire all of the issued shares of Rui Kang.

The IR Resources Group is principally engaged in (i) forestry and agricultural business (sale of wood products and plantation of agricultural produce); and (ii) resources and logistics business. As part of the Group's investment in distressed assets under the asset management business segment, the Group acquired an aggregate of 29.3% equity interest in IR Resources when trading in the shares of IR Resources was suspended. In view of the resumption of trading in the shares of IR Resources on 26 February 2016, the Group has undertaken to participate in the rights issues of IR Resources at a consideration of HK$71 million. Funding from the rights issue will enable the IR Resources to develop its forestry and agricultural business as well as resources and logistics business and to invest in other valuable business opportunities.

Loan financing

In view of the growth in the opportunities for non-bank financing sector in Hong Kong and the PRC, the Group has applied and obtained a money lender licence granted by the licensing court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in 2015. The Group is adopting loan financing policies and procedures with reference to market practice and the Money Lenders Ordinance and intends to commence the loan financing business in 2016. In order to create a sound base and cost effective platform for expansion of the loan financing business, the Groups will keep abreast of opportunities for financial services and products platforms which add value to the loan financing business.

EVENTS AFTER THE REPORTING PERIOD

Subscription of an investment fund

On 29 January 2016, the Company entered into the subscription agreement to invest HK$55 million in an investment fund focusing on investment opportunities in the Greater China Region (particularly businesses in the healthcare and related industries). Please refer to the Company's announcement dated 29 January 2016 for details.

Taking control of Rui Kang by way of securities exchange

On 5 February 2016, the Company proposed to the board of directors of Rui Kang that it would make voluntary conditional securities exchange offers to acquire all of the issued shares in the share capital of Rui Kang and certain terms of the said offers were subsequently revised on 6 April 2016. Please refer to the Company's announcements dated 17 February and 7 April 2016 for details. As at the date of this annual report, the said securities exchange offer had not been completed.

Introduction of a Strategic Investor to the Group's Health Management Business

On 16 February 2016, the Group entered into a sale and purchase agreement to transfer certain equity interest on the Health Management Business to a strategic investor with a view to leveraging on the investor's expertise to enhance the business performance of this business segment. Please refer to the Company's announcement dated 16 February 2016 for details.

Placing of bonds

On 18 February 2016, the Company entered into a bond placing agreement for the placing of bonds due 2017, in the principal amount of up to HK$100 million. Please refer to the Company's announcement dated 18 February 2016 for details. However, due to unfavourable market sentiment, the Company and the placing agent have subsequently agreed to terminate the placing agreement and the placing of bonds would not proceed.

Participation in the rights issue of IR Resources

On 24 February 2016, the Company undertook to participate in the rights issue of IR Resources. Please refer to the Company's announcement dated 24 February 2016 for details.

PROSPECTS

The year of 2015 has seen the Group's determination to develop its three major business segments: the healthcare management business segment, the medical and well-being business segment and the asset management segment. On one hand, the completion of the acquisition of the Health Management Business, the proposed acquisition of Rui Kang through voluntary securities exchange offer and the proposed development of a chain of healthcare and therapy centres have been in line with the Group's direction in establishing a healthcare and well-being platform which offers comprehensive services and products from preventative care, health enhancement and preservation to rehabilitation services; whilst on the other hand, the resumption of the trading in the shares of IR Resources and the Company's securities exchange offer to acquire all shares of Rui Kang have demonstrated competence of the management team of the Group in distressed asset investment and mergers and acquisitions. Going forward, these three business segments will remain the Group's principal focus and the management of the Company will continue to review and streamline the Group's business and asset portfolio to optimize returns.

FINANCIAL REVIEW

Liquidity and financial resources

The Company conducted a number of equity fund raising exercises during the Reporting Year to strengthen its capital base and improve its capital structure. The Company entered into agreements with placing agents in March, June and December 2015 for the placing of new shares of the Company and the net proceeds amounted to HK$41.2 million, HK$117.9 million and HK$47.0 million, respectively. In May 2015, the CBs with principal amount of HK$86.7 million were fully converted into new shares of the Company.

As at 31 December 2015, the Group's total assets and net assets (including non-controlling interest) amounted to HK$1,094.0 million (31 December 2014: HK$903.5 million) and HK$551.6 million (31 December 2014: HK$587.2 million), respectively. Its cash and bank balances amounted to HK$91.7 million (31 December 2014: HK$178.1 million) and liquidity ratio (calculated based on the Group's current assets to current liabilities) was 1.1 times (31 December 2014: 2.1 times).

During the Reporting Year, the Group's net cash outflow from operating activities and investing activities amounted to HK$163.8 million (2014: net cash outflow of HK$33.4 million) and HK$87.6 million (2014: net cash outflow of HK$60.2 million), respectively, and net cash inflow from financing activities amounted to HK$168.9 million (2014: net cash inflow of HK$189.8 million). As a result, the Group recorded a net cash outflow of HK$82.5 million for the Reporting Year (2014: net cash inflow of HK$96.2 million).

As at 31 December 2015, the Group's total borrowings amounted to HK$296.3 million (2014: HK$253.6 million), including borrowings of HK$197.5 million (31 December 2014: HK$178.5 million), convertible securities of HK$2.0 million (31 December 2014: HK$45.2 million) and bond/note payable of HK$96.8 million (31 December 2014: HK$29.9 million).

Capital structure

For the Reporting Year, the Group generally financed its operations with internally generated resources, proceeds raised from the issue of new shares and convertible securities of the Company and borrowings. As at 31 December 2015, the total number of issued shares of the Company had been increased to 2,612,547,326 shares.

Exposure to fluctuation in exchange rates

The Group's cash flow from operations and assets are mainly denominated in Renminbi and Hong Kong dollar whilst liabilities are mainly denominated in Hong Kong dollar and Japanese Yen. Therefore, the recent depreciation trend of Renminbi and the depreciation of Hong Kong dollar against Japanese Yen have had combined unfavourable impact on the Group's Japanese Yen-denominated borrowings and interest repayment. During the Reporting Year, the Group considered it is necessary to manage and reduce its debt exposure to Japanese Yen as and when appropriate and entered into a standby equity credit arrangement with Mr. Chan Ka Chung, an executive Director, for such purpose. As at the date of this annual report, the said equity credit facility agreement had not been completed. In addition, although the Group does not have a foreign currency hedging policy, it does and will continue to closely monitor its foreign exchange exposure and consider hedging if significant foreign currency exposure is observed.

Charge on assets

As at 31 December 2015, investment properties with carrying value of HK$150.6 million (2014: HK$44.9 million) of the Group were pledged to a bank or financial institution to secure borrowings of HK$55.2 million (2014: HK$32.0 million) of the Group.

CONTINGENCIES

No provision in respect of contingencies would need to be made in the consolidated financial statements of the Group for the Reporting Year.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the total number of employees of the Group was 946. The Group remunerates its employees based on their performance, working experience and the prevailing market rate. Other employee benefits include retirement benefits, insurance and medical coverage, training programs and share option scheme.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Chan Ka Chung
(Chairman and Executive Director)

Mr. Chan, aged 45, is a seasoned businessperson and an experienced investor. He possesses international business experience and was awarded the "Outstanding Entrepreneur of Guangdong Province" by the Guangdong Provincial Executive Association of Entrepreneurs. Mr. Chan also has in-depth professional experience in securities, investment and corporate finance involving initial public offerings, capital raising, mergers and acquisitions and corporate restructuring. Mr. Chan holds a bachelor's degree in commerce from the University of British Columbia in Canada and a master's degree in business administration and a post graduate's diploma in marketing from Edinburgh Business School in the United Kingdom. Mr. Chan was appointed as an executive Director in 2013 and elected to be the chairman of the board of Directors in 2014.

Mr. Cheung Wai Kwan
(Executive Director)

Mr. Cheung, aged 53, has over 20 years of management experience in manufacturing and distribution of resources, healthcare and related products and has maintained an extensive business network in Asia, particularly Japan and the PRC. Mr. Cheung holds a bachelor's degree in business management and a master's degree in business administration from Asia University, Japan. Mr. Cheung was appointed as an executive Director in 2014.

Mr. Wang Jianguo
(Executive Director)

Mr. Wang, aged 52, is a qualified lawyer in the PRC and, prior to joining the Group, was a practising lawyer at a law firm in the PRC, where his legal practice was mainly in the medical sector in the PRC. Mr. Wang was awarded an Advanced Lawyer in Anhui Province. Mr. Wang holds an executive master's degree in business administration from Nanjing University, the PRC. Mr. Wang was appointed as an executive Director in 2011.

Mr. Chan Yee Ping, Michael
(Independent Non-executive Director)

Mr. Chan, aged 38, has 15 years of experience in the areas of audit, financial management, corporate secretarial management and corporate governance. He is a member with practicing certificate of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chan is also the company secretary of (i) China Sunshine Paper Holdings Company Limited (stock code: 2002), a company listed on the Stock Exchange and (ii) Northeast Electric Development Co., Limited (stock code: 42), a joint stock limited company whose shares are listed on both the Shenzhen Stock Exchange of the PRC and the Stock Exchange, and the independent non-executive director of China Sandi Holdings Limited (stock code: 910). Mr. Chan holds a bachelor's degree of arts (honours) in accountancy from the Hong Kong Polytechnic University. Mr. Chan was appointed as an independent non-executive Director in 2014.

Mr. Lam Chun Ho
(Independent Non-executive Director)

Mr. Lam, aged 34, has more than 10 years of experience in auditing, financial reporting and financial management and is currently the senior management of a local corporate services company. Mr. Lam is an associate member of the Hong Kong Institute of Certificate Public Accountants. He is also the independent non-executive director of China New Economy Fund Limited (stock code: 80), a company listed on the Stock Exchange. Mr. Lam holds a bachelor's degree in business administration (accounting) from Hong Kong Baptist University. Mr. Lam was appointed as an independent non-executive Director in 2014.

Ms. Hu Xuezhen
(Independent Non-executive Director)

Ms. Hu, aged 49, is the chairman and founder of companies engaged in education and manufacturing of household products in the PRC. Ms. Hu has extensive experience in corporate management and business development. Ms. Hu was appointed as an independent non-executive Director in 2014.

Ms. Wu Yan
(Independent Non-executive Director)

Ms. Wu, aged 50, has over 20 years of experience in accounting and financing and is currently the management of a major bank in the PRC. Ms. Wu holds a bachelor's degree in accounting from Stamford College, Malaysia and a master's degree in business administration from The University of Greenwich, the United Kingdom. Ms. Wu was appointed as an independent non-executive Director in 2011 and resigned on 22 March 2016.

REPORT OF THE DIRECTORS

The Directors submit this report together with the audited consolidated financial statements of the Group for the Reporting Year.

GENERAL INFORMATION AND PRINCIPAL PLACE OF BUSINESS

The Company is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 36th Floor, Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in note 46 to the consolidated financial statements.

An analysis of the Group's revenue and segmental information is set out in notes 7 and 8 to the consolidated financial statements, respectively.

RESULTS

The results of the Group for the Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 36 to 37.

RESERVES

Movements in the reserves of the Group and the Company during the Reporting Year are set out on page 40 and in note 51 to the consolidated financial statements, respectively. As at 31 December 2015, the Company had no reserves available for distribution under Companies Ordinance of Hong Kong (2014: HK$Nil).

BUSINESS REVIEW AND PERFORMANCE

Review of the businesses of the Group and discussion and analysis of the Group's performance (including key performance indicators) during the Reporting Year and the material factors underlying its results and financial position are provided in the sub-sections headed "Overview", "Review of the Final Results" and "Business Review" from pages 5 to 9 under the section headed "Management Discussion and Analysis" and the sub-section headed "Financial Review" under the section headed "Management Discussion and Analysis" from pages 10 to 11 of this annual report. Particulars of important events of the Group that have occurred following 31 December 2015 are set out in the sub-section headed "Events After the Report Period" section on pages 9 and 10. The outlook of the Group's businesses is discussed in this annual report including the section headed "Chairman's Statement" and the sub-section headed "Prospects" under the section headed "Management Discussion and Analysis" in pages 3 to 4 and 10 respectively. An account of the Group's relationship with its key stakeholders is included in the sub-section headed "Employees and Remuneration Policy" under the section headed "Management Discussion and Analysis" on page 12. The statements therein form part of this Report of the Directors section.

PRINCIPAL RISKS

The Directors have knowledge that the Group is exposed to a certain risks that could impact the Group and the industries in which the Group operates. As such, the Group has established risk management policies to ensure that significant risks which may adversely affect the Group are identified, reported, monitored and measured on a continuous basis. The followings are the principal risks which the Directors consider significant to the Group and may adversely or materially affect the businesses, financial conditions, operation and prospects of the Group:

Legal and regulatory risk

The operating environment in which the Group operates has been becoming increasingly complicated where legal and regulatory requirements are becoming more stringent and the business strategies, operation, funding and capital management of the Group may be significantly affected. Such legal and regulatory risks include the risk of lawsuits and other legal actions relating to unenforceable contracts, fraud cases, non-compliance with legal/regulatory requirements, or even adverse judgments where any of these may disrupt or otherwise negatively affect the operation or financial conditions of the Group.

Foreign exchange risk

Foreign exchange risk arises from recognised assets and liabilities in foreign currencies. The Group's cash flow from operations and assets are mainly denominated in Renminbi and Hong Kong dollar whilst non-current liabilities are mainly denominated in Japanese Yen. The Group considered it necessary to manage and reduce its debt exposure as and when appropriate and has entered into a standby equity credit arrangement for such purpose. The management of the Group will also continue to closely monitor its foreign exchange exposure and consider hedging if significant foreign currency exposure is observed.

Market risk

The Group's assets management segment which comprises equity securities listed on the Stock Exchange and investment properties located in Hong Kong is exposed to the risk of adverse price movements and stock market volatility. It has been the strategy of the Group to maintain a portfolio of investments with different risk and return profiles in order to mitigate such risk.

Economic conditions

The Group's major markets are Hong Kong and the PRC. Downturn in economic conditions in these major markets and even the economic policies promulgated by other countries (e.g. U.S. interest rate hike) can adversely affect such markets (e.g. economic growth rate, foreign exchange fluctuation, debt serving ability and fixed asset pricing) and thus the demand for Group's products and services.

Other financial risks

The Group is also exposed to other financial risks including interest rate risk and liquidity risk.

The Group's interest-bearing borrowings, convertible bonds/notes and bonds are exposed to interest rate risk. The Group currently does not have an interest rate hedging policy. However, the Group monitors interest rate fluctuations within an acceptable level and will consider hedging strategies should the interest rate exposure becomes significant.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group's primary cash requirements are mainly on purchase of fixed and capital assets and operating expenses. The Group finances its working capital requirements through a combination of internal generated funds, borrowings and issuance of new shares. It is the Group's policy to regularly monitor current and anticipated liquidity requirements to ensure sufficient working capital is maintained.

PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHT, INVESTMENT PROPERTIES, OTHER INTANGIBLE ASSETS AND LONG-TERM PREPAYMENT AND DEPOSITS

Details of the movements in property, plant and equipment, land use right, investment properties, other intangible assets and long-term prepayments and deposits of the Group and of the Company (where applicable) during the Reporting Year are set out in notes 17, 18, 19, 21 and 25 to the consolidated financial statements, respectively.

BORROWINGS

Particulars of the Group's and the Company's borrowings as at 31 December 2015 are set out in note 33 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are shown in note 38 to the consolidated financial statements.

DONATION

During the Reporting Year, the Group made charitable donation amounting to HK$1,039,000 (2014: HK$86,000).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is shown on page 158.

DIRECTORS

The Directors during the Reporting Year and up to the date of this annual report are:

Executive Directors:
CHAN Ka Chung *(Chairman)*
CHEUNG Wai Kwan
WANG Jianguo
HUI Ka Chun (resigned on 16 April 2015)

Independent non-executive Directors:
CHAN Yee Ping, Michael
HU Xuezhen
LAM Chun Ho
WU Yan (resigned on 22 March 2016)

In accordance with the articles of association of the Company, No Directors shall retire and offer themselves for re-election at the forthcoming annual general meeting of the Company.

All Directors (including independent non-executive Directors) are subject to the general provisions in respect of the retirement and rotation of Directors at the annual general meeting pursuant to the Company's articles of association.

The Company has received independence confirmation from all independent non-executive Directors and considers them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors are set out on pages 13 and 14.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments in the year ended 31 December 2015 are shown in note 13 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SERVICE CONTRACT

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed elsewhere, no transactions, arrangements and contracts 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 or his or her connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the Reporting Year.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Group (included in the audited consolidated financial statements of the Group for the Reporting Year) during the Reporting Year and up to the date of this annual report is available on the Company's website.

PERMITTED INDEMNITY PROVISIONS

During the Reporting Year and up to the date of this report, permitted indemnity provisions were in force for the benefit of the Directors of the Company and its subsidiaries. The permitted indemnity provisions are provided for in the Company's articles of association and in the Directors liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN SHARES AND OPTIONS

As at 31 December 2015, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(i) The Company

Interests in Shares

Name	Capacity	Number of shares of the Company held	Number of underlying shares of the Company held	Total	Approximate % of shareholding of the Company
Executive Directors					
Mr. Chan Ka Chung ("Mr. Chan")	Corporate interest	101,250,000	365,756,625*(Note 1)*	467,006,625	17.88%
	Personal	—	11,819,437*(Note 2)*	11,819,437	0.45%
Mr. Cheung Wai Kwan	Personal	—	9,095,301*(Note 2)*	9,095,301	0.35%
Independent Non-executive Directors					
Mr. Chan Yee Ping, Michael	Personal	—	2,177,121*(Note 2)*	2,177,121	0.08%
Ms. Hu Xuezhen	Personal	—	2,177,121*(Note 2)*	2,177,121	0.08%
Mr. Lam Chun Ho	Personal	—	2,177,121*(Note 2)*	2,177,121	0.08%
	Total	**101,250,000**	**393,202,726**	**494,452,726**	**18.92%**

Notes:

1. *It represents Mr. Chan's deemed interests in the underlying Shares that can be allotted and issue upon exercise of the rights attached to the call option whereby the grantee, Fine Talent Ventures Limited, is an investment company wholly-owned by Mr. Chan. As at 31 December 2015, the aforesaid call option has not been granted to Mr. Chan yet.*

2. *Details of the share option granted by the Company (details as described below) to the Directors are as follows:*

				Number of share options				
Grantee	**Date of grant**	**Exercisable period**	**Exercise price per share** *(HK$)*	**At 1 January 2015**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**As at 31 December 2015**
Executive Director								
Mr. Chan	24-06-2015	24-06-2015 to 23-06-2017	0.28	—	11,819,437	—	—	11,819,437
Mr. Cheung Wai Kwan	31-10-2014	31-10-2014 to 30-10-2016	0.34	6,095,301	—	—	—	6,095,301
	24-06-2015	24-06-2015 to 23-06-2017	0.28	—	3,000,000	—	—	3,000,000
Independent Non-executive Directors								
Mr. Chan Yee Ping, Michael	31-10-2014	31-10-2014 to 30-10-2016	0.34	677,255	—	—	—	677,255
	24-06-2015	24-06-2015 to 23-06-2017	0.28	—	1,499,866	—	—	1,499,866
Ms. Hu Xuezhen	31-10-2014	31-10-2014 to 30-10-2016	0.34	677,255	—	—	—	677,255
	24-06-2015	24-06-2015 to 23-06-2017	0.28	—	1,499,866	—	—	1,499,866
Mr. Lam Chun Ho	31-10-2014	31-10-2014 to 30-10-2016	0.34	677,255	—	—	—	677,255
	24-06-2015	24-06-2015 to 23-06-2017	0.28	—	1,499,866	—	—	1,499,866
			Total:	8,127,066	19,319,035	—	—	27,446,101

Save as disclosed above, as at 31 December 2015, no other Directors had or were deemed to have 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 (i) were required 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 they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 30 October 2001, the Company adopted a share option scheme (the "2001 Share Option Scheme") under which the Board may, at its discretion, offer to any participant, options to subscribe for ordinary shares in the Company in accordance with the terms and conditions of the 2001 Share Option Scheme. The 2001 Share Option Scheme was expired on 30 October 2011.

At the annual general meeting of the Company held on 12 June 2014, the Company adopted a new share option scheme (the "2014 Share Option Scheme") under which the Board may, offer to eligible participant, options to subscribe for ordinary shares of the Company in accordance with the terms and conditions of the 2014 Share Option Scheme. On 31 October 2014 and 24 June 2015 , the Company granted a total of 67,725,562 and 111,713,343 share options to eligible participants, respectively.

OPTIONS GRANTED UNDER THE SHARE OPTION SCHEMES

2001 Share Option Scheme

Details of the movements in share options granted under the 2001 Share Option Scheme during the Reporting Year and as at 31 December 2015 were as follows:

				Number of share options					
Grantee	Date of grant	Exercisable period	Adjusted exercise price per share (HK$)	At 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2015	% of shareholding of the Company
Former employees	26-04-2007	26-04-2007 to 25-04-2017	3.42	58,395	—	—	(58,395)	—	0.00%
	07-03-2008	07-03-2008 to 06-03-2018	2.23	8,136,292	—	—	(8,136,292)	—	0.00%
				8,194,687	—	—	(8,194,687)	—	0.00%
Consultants/advisors	10-04-2006	10-04-2006 to 09-04-2016	1.71	5,776,083	—	—	—	5,776,083	0.22%
	26-04-2007	26-04-2007 to 25-04-2017	3.42	2,937,268	—	—	—	2,937,268	0.11%
	06-11-2007	06-11-2007 to 05-11-2017	3.46	5,839,500	—	—	—	5,839,500	0.22%
	07-03-2008	07-03-2008 to 06-03-2018	2.23	7,410,676	—	—	—	7,410,676	0.29%
				21,963,527	—	—	—	21,963,527	0.84%
			total:	30,158,214	—	—	(8,194,687)	21,963,527	0.84%

Notes:

1: *Vesting details under the 2001 Share Option Scheme are as follows:*

Date of grant	Date of vesting	No. of share options vested
10-04-2006	10-04-2006	4,903,983
	10-04-2007	280,967
	10-04-2008	591,133
26-04-2007	26-04-2007	2,858,435
	26-04-2008	26,278
	26-04-2009	52,555
06-11-2007	01-01-2008	2,919,750
	01-07-2009	2,919,750
07-03-2008	07-03-2010	3,705,338
	07-03-2011	3,705,338

2014 Share Option Scheme

Details of the movements in share options granted under the 2014 Share Option Scheme during the Reporting Year and as at 31 December 2015 were as follows:

				Number of share options					
Grantee	Date of grant	Exercisable period	Exercise price per share *(HK$)*	As at 1 January 2015 *(Note 1)*	Granted during the year *(Note 2)*	Exercised during the year	Lapsed during the year	As at 31 December 2015	% of shareholding of the Company
Directors	31-10-2014	31-10-2014 to 30-10-2016	0.34	14,899,622	—	—	(6,772,556)	8,127,066	0.31%
	24-06-2015	24-06-2015 to 23-06-2017	0.28	—	19,319,035	—	—	19,319,035	0.74%
Employees	31-10-2014	31-10-2014 to 30-10-2016	0.34	18,624,529	—	—	—	18,624,529	0.71%
	24-06-2015	24-06-2015 to 23-06-2017	0.28	—	60,895,637	—	—	60,895,637	2.33%
Consultants	31-10-2014	31-10-2014 to 30-10-2016	0.34	34,201,411	—	—	(2,370,395)	31,831,016	1.22%
	24-06-2015	24-06-2015 to 23-06-2017	0.28	—	31,498,671	—	—	31,498,671	1.21%
			Total:	**67,725,562**	**111,713,343**	**—**	**(9,142,951)**	**170,295,954**	**6.52%**

Notes:

1. *Pursuant to an ordinary resolution approved by the shareholders of the Company at the annual general meeting of the Company held on 12 June 2014, the Company was authorised to issue 67,725,562 share options under the 2014 Share Option Scheme. On 31 October 2014, the Company granted a total of 67,725,562 share options.*

2. *Pursuant to an ordinary resolution approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 6 January 2015, the Company was authorised to issue 111,713,343 share options under the 2014 Share Option Scheme. On 24 June 2015, the Company granted a total of 111,713,343 share options.*

3. *Vesting details under the 2014 Share Option Scheme are as follows:*

   (i) Options granted to Directors of the Company:

Date of grant	Date of vesting	No. of share options vested
31 October 2014	31 October 2014	8,127,066
24 June 2015	24 June 2015	19,319,035

   (ii) Options granted to employees:

Date of grant	Date of vesting	No. of share options vested
31 October 2014	31 October 2014	18,624,529
24 June 2015	24 June 2015	60,895,637

   (iii) Options granted to consultants/advisors:

Date of grant	Date of vesting	No. of share options vested
31 October 2014	31 October 2014	31,831,016
24 June 2015	24 June 2015	31,498,671

SUBSTANTIAL SHAREHOLDER

As at 31 December 2015, there was no person (other than a director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO being 5% or more of the issued shares of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Reporting Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company.

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 Reporting Year.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Year:

(A) The percentage of the aggregate amount of purchases attributable to the Group's major suppliers are as follows:

— the largest supplier	22%
— five largest suppliers combined	52%

(B) The percentage of the aggregate amount of sales attributable to the Group's major customers are as follows:

— the largest customer	5%
— five largest customers combined	9%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Year and up to the date of this report, none of the Directors or their respective associates has any interest in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 26 to 33.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited consolidated financial statements for the Reporting Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

AUDITORS

The consolidated financial statements for the Reporting Year were audited by HLB Hodgson Impey Cheng Limited who will retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting.

By Order of the Board

Chan Ka Chung
Chairman

Hong Kong, 15 March 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board recognises that such commitment is essential in upholding accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders. To ensure continued compliance with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, the management of the Company periodically reviews and proposes necessary amendments to its corporate governance practices.

During the Reporting Year, the Company has complied with all the code provisions of the CG Code except for none of the existing non-executive Directors being appointed for a specific term which constitutes a deviation from the code provision. However, all the non-executive Directors are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of the Company. As such, the board of Directors (the "Board") considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

THE BOARD

The Board, which meets at least four times a year with additional meetings arranged when necessary, has established a schedule of matters reserved for its approval. In addition to the management and daily operation of the Company, the Board has specific responsibility including matters in relation to the strategy and overall management of the Group; capital, corporate and control structures; financial reporting and controls; internal controls; major capital projects and contracts; communication with the shareholders; Board membership and the appointment of company secretary and auditors; Directors' remuneration; delegation of authority to committees and the Group's overall corporate governance arrangements.

Save as those matters mentioned above as specifically reserved for the Board, the Board has delegated powers to the management and various Board committees to deal with the daily operations of the Company.

As at 31 December 2015, the Board comprises seven members with a wide range of business, financial, legal, accounting and management skills and experience as well as a balanced composition of the executive and independent non-executive Directors to ensure independent judgment and effective operation of the Board. There were five Board meetings and four extraordinary general meetings held during the Reporting Year. Changes to the Board during the Reporting Year as well as the number of Board meetings held and attended by each individual Director (including attendance via telephone conference) during his/her respective term of office in the Reporting Year are as follows:

		Board meetings	Extraordinary general meeting	Annual general meeting
Executive Directors:				
CHAN Ka Chung (Chairman)		5/5	4/4	1
CHEUNG Wai Kwan		5/5	2/4	1
WANG Jianguo		5/5	2/4	1
HUI Ka Chun	(resigned on 16 April 2015)	0/1	0/1	N/A
Independent Non-executive Directors:				
CHAN Yee Ping, Michael		5/5	4/4	1
HU Xuezhen		5/5	0/4	1
LAM Chun Ho		5/5	3/4	1
WU Yan	(resigned on 22 March 2016)	3/5	0/4	1

The biographical details of each existing Director are set out on pages 13 and 14.

Roles of the Chairman and Chief Executive Officer

To ensure a balance of power and authority, a clear division of the responsibilities of the chairman of the Board and the chief executive officer has been set out in writing.

The chairman is mainly responsible for providing leadership to the Board, encouraging all Directors to make full and active contribution to the Board's affairs and ensuring that the Board acts in the best interests of the Group.

The chief executive officer is responsible for the implementation of the Group's strategies and policies adopted by the Board in achieving the overall commercial objectives and assumes full accountability to the Board for the operations of the Group.

During the Reporting Year, the Company did not have a chief executive officer and the duties of chief executive officer were carried out by Mr. Wang Jianguo, an executive Director.

Directors' training

Upon joining the Company, each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's affairs as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Directors are also provided with updates on latest development and changes in Listing Rules and other relevant legal and regulatory requirements from time to time.

Pursuant to the revised CG Code which was effective on 1 April 2012, the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. For the Reporting Year, all Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

BOARD COMMITTEES

The Board is supported by four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. Each committee has defined terms of reference covering its constitution, duties and authorities. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website.

Audit Committee

The principal responsibilities of the Audit Committee include: making recommendations to the Board in relation to the appointment, re-appointment and removal of the external Auditors; review of and monitoring the external Auditors' independence and objectivity; development and implementation of policy on the engagement of the external Auditors to supply non-audit services; monitoring integrity of the interim and annual financial statements, interim and annual reports and accounts; review of significant financial reporting judgments particularly on any changes in accounting policies and practices; ensuring that management has discharged its duty to have an effective internal control system and considering any findings of major investigations of internal control matters; review of the external auditors' management letter, any material queries raised by the auditors to management in respect of the accounting records, financial statements or systems of control and management's response.

During the Reporting Year, the Audit Committee discharged its responsibilities by reviewing the interim and annual results of the Group and the relevant statements and reports prior to Board approval; reviewing the external auditors' reports and findings on the work performed and the related internal control matters; reviewing significant financial reporting judgements focusing in accounting policies, reviewing and approving the external auditors' terms of engagement (including audit fee).

The Audit Committee comprised four members, all of which are independent non-executive Directors. All members possess diversified expertise and experience, including those in finance and accounting matters. There were two Audit Committee meetings held during the year. The number of Audit Committee meetings held and attended by each individual member (including attendance via telephone conference) during his/her respective term of office in the Reporting Year are as follows:

		Audit Committee meeting attended/ held
CHAN Yee Ping, Michael		2/2
HU Xuezhen		2/2
LAM Chun Ho		2/2
WU Yan	(resigned on 22 March 2016)	2/2

Remuneration Committee

The Remuneration Committee is principally responsible for making recommendations to the Board on the Company's remuneration policy and structure for the Directors and senior management; determining the specific remuneration packages of all executive Directors and senior management; recommending to the Board on the remuneration of non-executive Directors; reviewing performance-based remuneration; determining compensation payable to executive Directors and senior management in connection with any loss or termination of office.

During the Reporting Year, there were no changes to the remuneration policy of the Directors.

The Remuneration Committee comprised four members, with Mr. Chan Yee Ping, Michael as chairman and Mr. Chan, Ms. Hu Xuezhen and Mr. Lam Chun Ho as members. Two Remuneration Committee meetings were held to review relevant matters for the Reporting Year.

Nomination Committee

The Nomination Committee is principally responsible for reviewing the structure, size and composition of the Board; making recommendations on any proposed changes to the Board for implementation of the Company's corporate strategy; identifying and nominating appropriate candidates as Board members; assessing the independence of independent non-executive Directors; recommending to the Board on succession planning for chairman and chief executive officer.

The Nomination Committee comprises four members, with Chan Yee Ping, Michael as chairman and Mr. Chan, Ms. Hu Xuezhen and Mr. Lam Chun Ho as members. One Nomination Committee meeting was held to review relevant matters for the Reporting Year.

Corporate Governance Committee

The Corporate Government Committee is principally responsible for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the Company's internal control manual; reviewing the Company's compliance with the CG Code and disclosure in its corporate governance report.

The Corporate Governance Committee comprises all Directors, with Chan Yee Ping, Michael as chairman and other directors as members. One Corporate Governance Committee meeting was held to review the relevant matters for the Reporting Year.

REMUNERATION OF DIRECTORS

The Board has set out a formal policy for determining Directors' remuneration, the main elements involved are:

- There should be a formal and transparent procedure for fixing the remuneration packages of individual Directors and no individual should determine his own remuneration.

- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performance individuals but the Group should avoid paying more than is necessary for these purposes.

- The total remuneration package should be competitive in relation to comparable organisations in each of the countries or regions in which the Group operates.

Remuneration of Executive Directors

The key components to executive Directors' remuneration are basic salary, performance bonus, retirement and other benefits.

The remuneration of ongoing executive Directors are mainly subject to an annual performance appraisal. A performance standard is established and fixed for duties and responsibilities of each single executive Director and appraisal results are discussed with the chairman and/or chief executive officer by reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee should then consult the chairman and/or the chief executive officer regarding their proposals relating to the remuneration of the executive Directors. It is a duty of the Remuneration Committee to determine the specific remuneration packages of all executive Directors by considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the executive Directors, employment conditions elsewhere in the Group and individual performance.

Remuneration of non-executive Directors

In view of the growing responsibilities of non-executive Directors, their role has become more complex and demanding. The remuneration for any particular non-executive Director has reflected the likely workload and responsibility involved, the scale and complexity of the business and the market practice.

The directors' fees of non-executive Directors are based on a formal independent review undertaken no less frequently than every three years. Such fees are proposed by the executive management, reviewed and recommended to the Board by the Remuneration Committee from time to time and approved by the shareholders (either specifically or by means of a resolution authorising the Board to fix the fees) at each annual general meeting.

Share Options

A Director (either executive or non-executive Director) may benefit from the share option scheme adopted by the Company from time to time. Such reward is to provide additional incentive to Directors and to reward loyal Directors who have contributed to the Company's success in various ways. Any share options granted to a Director are approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) or approved by shareholders whenever it is applicable pursuant to the scheme rules and the Listing Rules. Such options are exercisable during a period not exceeding ten years from the date of grant subject to vesting or other conditions (if any) and under an exercise price to be determined by the Board in compliance with the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors.

Having made enquiry of all Directors, each of them has confirmed that he/she had complied with the required standard as set out in the Model Code during the Reporting Year.

FINANCIAL REPORTING

The Directors hereby acknowledge their responsibility for preparing the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The interim and annual results of the Group are announced on a timely manner within the time limits set by the regulatory authorities.

In preparing the financial statements for the Reporting Year, the Directors have selected suitable accounting policies; made judgments and estimates that are prudent, fair and reasonable.

The statement of the Auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditors' Report on pages 34 and 35.

INTERNAL CONTROLS

Internal control systems have been designed to allow the Board to monitor the Group's overall financial position, to protect its assets and to assure against material financial misstatement or loss. It is the responsibility of the Board to maintain the internal control systems of the Group. During the Reporting Year, the Board has discussed and reviewed the internal control systems of the Group and the relevant proposal made by senior management in order to ensure that the Group has adequate and effective internal control systems in place.

AUDITORS' FEES

The Company's current external auditors are HLB Hodgson Impey Cheng Limited. For the Reporting Year, the fees payable to the external auditors for audit service and review service (non-audit service) were HK$1,100,000 and HK$1,063,000, respectively.

COMPANY SECRETARY

During the Reporting Year, the Company Secretary of the Company was Mr. Lam Sung Him, Gaston.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meetings ("EGM")

Shareholders holding not less than one-twentieth (i.e. 5%) of the paid-up capital and carrying the right of voting at a general meeting of the Company can deposit a written request to convene an EGM (stating the objects of the meeting and shareholders concerned) at the register office of the Company for the attention of the Company Secretary. If the Directors do not within twenty one days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM for a day not more than twenty eight days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

Putting forward proposals at shareholders' meetings

To put forward proposals at shareholders' meeting, a request in writing must be made by:

(a) shareholders holding not less than one-fortieth (i.e. 2.5%) of the total voting rights of all shareholders having the right to vote at the meeting; or

(b) not less than fifty shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

If a shareholder of the Company intends to propose a person other than a Director of the Company for election as a Director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a Director; and (ii) a written notice by that person of his/her willingness to be elected; together with the necessary information within the period commencing no earlier than the day after the dispatch of the notice of the general meeting and ending no later seven days prior to the date of such general meeting.

Enquiries to the Board

Enquiries may be put to the Board at the registered office of the Company at 36th Floor, Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong (email: contact@chinawahyan.com).

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given high priority. Extensive information about the Group's activities is provided in the annual reports and the financial statements as well as the interim reports which are available to shareholders on a timely basis. All shareholders are encouraged to attend the general meetings of the Company.

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE MEMBERS OF
CHINA WAH YAN HEALTHCARE LIMITED
(FORMERLY KNOWN AS CHINA RENJI MEDICAL GROUP LIMITED)
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Wah Yan Healthcare Limited (formerly known as China Renji Medical Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 158, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, 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.

AUDITORS' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 15 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	7	**127,236**	85,385
Cost of goods sold and services		**(98,817)**	(18,245)
Gross profit		**28,419**	67,140
Other gains and losses	9	**4,104**	11,573
Selling and distribution expenses		**(11,756)**	—
Administrative expenses		**(179,752)**	(66,244)
Net (loss)/gain on disposal of property, plant and equipment and other intangibles assets		**(119)**	16,898
Impairment loss on available-for-sale financial assets	24	**(40,734)**	—
Impairment loss on trade receivables	27	**(17,172)**	—
Impairment loss on property, plant and equipment and other intangible assets	20	**(18,532)**	—
Fair value change on investment properties	19	**(44,110)**	3,535
Loss arising on extinguishment of convertible bonds		**(69,410)**	—
Share of results of associates	22	**—**	(1,971)
Share of result of a joint venture	23	**6,891**	(476)
Loss on disposal of associates	22	**—**	(60,960)
Finance costs	10	**(16,655)**	(8,995)
Loss before taxation		**(358,826)**	(39,500)
Income tax	11	**(5,847)**	(2,320)
Loss for the year	12	**(364,673)**	(41,820)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(26,121)**	(5,109)
Other comprehensive loss for the year, net of income tax		**(26,121)**	(5,109)
Total comprehensive loss for the year		**(390,794)**	(46,929)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(436,503)**	(61,138)
Non-controlling interests		**71,830**	19,318
		(364,673)	(41,820)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(454,989)**	(63,291)
Non-controlling interests		**64,195**	16,362
		(390,794)	(46,929)
Loss per share attributable to the owners of the Company (HK cents)	16		
— Basic		**(24.49)**	(7.00)
— Diluted		**(24.49)**	(7.00)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**26,986**	26,409
Land use right	18	**3,506**	3,799
Investment properties	19	**150,600**	44,850
Goodwill	20	**61,237**	5,043
Other intangible assets	21	**3,610**	5,422
Available-for-sale financial assets	24	**335,324**	264,602
Long-term prepayments and deposits	25	**108,921**	109,098
		690,184	459,223
Current assets			
Land use right	18	**84**	88
Inventories	26	**11,099**	6,222
Trade receivables	27	**24,011**	41,593
Other receivables, prepayments and deposits	27	**133,473**	133,498
Available-for-sale financial assets	24	**67,858**	34,806
Financial assets at fair value through profit or loss	28	**75,584**	38,033
Amount due from a joint venture	29	**—**	11,957
Cash and bank balances	30	**91,713**	178,069
		403,822	444,266
Current liabilities			
Trade and other payables	31	**143,444**	49,595
Receipt in advance	32	**77,807**	—
Amounts due to directors		**—**	528
Tax payable		**17,189**	12,547
Borrowings	33	**129,835**	109,704
Convertible bonds	34	**—**	43,227
		368,275	215,601
Net current assets		**35,547**	228,665
Total assets less current liabilities		**725,731**	687,888

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Other payable	31	**7,000**	—
Borrowings	33	**67,684**	68,764
Convertible notes	34	**1,963**	1,937
Bonds payable	35	**96,828**	20,018
Promissory note	36	**—**	9,922
Deferred tax liabilities	37	**642**	30
		174,117	100,671
Net assets		**551,614**	587,217
CAPITAL AND RESERVES			
Share capital	38	**2,757,283**	2,464,228
Reserves		**(2,379,093)**	(2,011,775)
Equity attributable to the owners of the Company		**378,190**	452,453
Non-controlling interests		**173,424**	134,764
Total equity		**551,614**	587,217

The consolidated financial statements were approved and authorised for issue by the board of directors on 15 March 2016 and are signed on its behalf by:

CHAN KA CHUNG	**WANG JIANGUO**
Director	*Director*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to the owners of the Company											
	Share capital	Share premium	Capital redemption reserve	Share option reserve	Exchange translation reserve	Equity component of convertible bonds/notes	Warrant reserves	Other reserves	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 39(i))	*(Note 39(i))*	*(Note 39(ii))*	*(Note 39(iii))*	*(Note 39(iv))*		*(Note 39(v))*				
At 1 January 2014	1,354,511	981,851	1,899	35,415	130,864	—	—	68,244	(2,164,211)	408,573	89,741	498,314
(Loss)/profit for the year	—	—	—	—	—	—	—	—	(61,138)	(61,138)	19,318	(41,820)
Other comprehensive loss for the year:												
Exchange difference on translating foreign operations	—	—	—	—	(2,153)	—	—	—	—	(2,153)	(2,956)	(5,109)
Total comprehensive (loss)/income for the year	—	—	—	—	(2,153)	—	—	—	(61,138)	(63,291)	16,362	(46,929)
Transfer from share premium and capital redemption reserve to share capital upon abolition of par value	983,750	(981,851)	(1,899)	—	—	—	—	—	—	—	—	—
Issue of unlisted warrants	—	—	—	—	—	—	540	—	—	540	—	540
Expenses in relation to issue of unlisted warrants	—	—	—	—	—	—	(182)	—	—	(182)	—	(182)
Release upon loss of control arising from disposal of a subsidiary	—	—	—	—	(1,335)	—	—	—	—	(1,335)	(31,677)	(33,012)
Issue of convertible bonds/notes	—	—	—	—	—	547	—	—	—	547	—	547
Deferred tax liability arising on issue of convertible bonds/notes	—	—	—	—	—	(90)	—	—	—	(90)	—	(90)
Redemption of convertible notes	—	—	—	—	—	(272)	—	—	59	(213)	—	(213)
Issue of shares pursuant to exercise of unlisted warrants	29,879	—	—	—	—	—	(179)	—	—	29,700	—	29,700
Issue of shares pursuant to rights issue	100,542	—	—	—	—	—	—	—	—	100,542	—	100,542
Transaction costs attributable to issue of ordinary shares pursuant to rights issue	(4,454)	—	—	—	—	—	—	—	—	(4,454)	—	(4,454)
Recognition of share-based payments	—	—	—	10,109	—	—	—	—	—	10,109	—	10,109
Disposal of associates	—	—	—	—	141	—	—	—	—	141	—	141
Change in ownership interests of subsidiaries (Note 47)	—	—	—	—	(32,607)	—	—	4,473	—	(28,134)	60,338	32,204
At 31 December 2014 and 1 January 2015	**2,464,228**	**—**	**—**	**45,524**	**94,910**	**185**	**179**	**72,717**	**(2,225,290)**	**452,453**	**134,764**	**587,217**
Loss/(profit) for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(436,503)**	**(436,503)**	**71,830**	**(364,673)**
Other comprehensive loss for the year:												
Exchange difference on translating foreign operations	**—**	**—**	**—**	**—**	**(18,486)**	**—**	**—**	**—**	**—**	**(18,486)**	**(7,635)**	**(26,121)**
Total comprehensive income/(loss) for the year	**—**	**—**	**—**	**—**	**(18,486)**	**—**	**—**	**—**	**(436,503)**	**(454,989)**	**64,195**	**(390,794)**
Issue of convertible bonds	**—**	**—**	**—**	**—**	**—**	**176**	**—**	**—**	**—**	**176**	**—**	**176**
Extinguishment of convertible bonds	**—**	**—**	**—**	**—**	**—**	**(294)**	**—**	**—**	**294**	**—**	**—**	**—**
Recognition of convertible bonds upon modification	**—**	**—**	**—**	**—**	**—**	**155,012**	**—**	**—**	**—**	**155,012**	**—**	**155,012**
Issue of shares pursuant to conversion of convertible bonds	**86,689**	**—**	**—**	**—**	**—**	**(155,012)**	**—**	**—**	**68,323**	**—**	**—**	**—**
Issue of shares pursuant to placing	**212,775**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**212,775**	**—**	**212,775**
Transaction costs attributable to issue of shares pursuant to placing	**(6,409)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(6,409)**	**—**	**(6,409)**
Recognition of equity-settled share-based payments	**—**	**—**	**—**	**15,148**	**—**	**—**	**—**	**—**	**—**	**15,148**	**—**	**15,148**
Lapse of share options	**—**	**—**	**—**	**(1,364)**	**—**	**—**	**—**	**—**	**1,364**	**—**	**—**	**—**
Change in ownership interest of a subsidiary (Note 47)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,024**	**—**	**4,024**	**806**	**4,830**
Non-controlling interests arising on acquisition of a subsidiary (Note 41)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(26,341)**	**(26,341)**
At 31 December 2015	**2,757,283**	**—**	**—**	**59,308**	**76,424**	**67**	**179**	**76,741**	**(2,591,812)**	**378,190**	**173,424**	**551,614**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Loss before taxation		**(358,826)**	(39,500)
Adjustments for:			
Finance costs	10	**16,655**	8,995
Interest income	9	**(27)**	(925)
Dividend income	9	**(49)**	—
Depreciation of property, plant and equipment and jointly-operated assets	17	**7,455**	8,470
Amortisation of land use rights	18	**87**	88
Amortisation of other intangible assets	21	**1,642**	1,542
Impairment loss on trade receivable	27	**17,172**	—
Impairment loss on property, plant and equipment	17	**15,756**	—
Impairment loss on other intangible assets	21	**2,776**	—
Impairment loss on available-for-sales financial assets	24	**40,734**	—
Write-off of property, plant and equipment		**—**	259
Net loss/(gain) on disposal of property, plant and equipment and other intangible assets		**119**	(16,898)
Gain on disposal of a subsidiary		**—**	(1,304)
Share of results of associates		**—**	1,971
Share of results of a joint venture		**(6,891)**	476
Loss/(gain) arising from change in fair value of investment properties	19	**44,110**	(3,535)
Change in fair value of financial assets designated as at fair value through profit or loss		**2,011**	(30)
Loss on disposal of associates		**—**	60,960
Loss on redemption of promissory note and convertible notes		**305**	1,631
Loss on extinguishment of convertible bonds	34	**69,410**	—
Expenses recognised in respect of equity settled share based payments	40	**15,148**	10,109
Waiver of loan interest payable		**—**	(789)
Withholding tax in relation to offshore transfer of available-for-sale financial asset		**67,131**	—
Exchange gain on borrowings and interest payable		**(18)**	(10,029)
Operating cash flows before movements in working capital		**(65,300)**	21,491
Increase in inventories		**(3,703)**	(398)
(Increase)/decrease in trade receivables		**(74)**	10,906
(Increase)/decrease in other receivables, prepayments and deposits		**(10,883)**	24,045
Decrease on long term prepayments and deposits		**9,858**	—
Net cash used in trading of financial assets at fair value through profit or loss		**(39,562)**	(38,003)
Decrease in receipt in advance		**(4,891)**	—
Increase in amounts due from a joint venture		**(55,079)**	(12,433)
Increase/(decrease) in trade and other payables		**17,822**	(494)
Decrease in amounts due to directors		**(12,043)**	(35,995)
Cash used in operations		**(163,855)**	(30,881)
Interest received		**27**	925
Income tax paid		**—**	(3,484)
Net cash used in operating activities		**(163,828)**	(33,440)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment	17	**(7,667)**	(2,749)
Proceeds from disposal of property, plant and equipment		**596**	15,102
Addition for investment properties	19	**(1,598)**	—
Proceeds from disposal of associates		**—**	3,500
Proceeds from partial disposal of a subsidiary		**4,830**	6,000
Net cash outflow on acquisition of subsidiaries	41(b)	**(10,178)**	(3,125)
Net cash outflow arising on acquisition of asset through acquisition of subsidiaries		**(3,483)**	—
Deposits paid for acquisition of property, plant and equipment		**—**	(34,903)
Payment on acquisition of available-for-sale financial assets		**(70,124)**	(43,933)
Net cash outflow on disposal of a subsidiary		**—**	(111)
Dividend received		**49**	—
Net cash used in from investing activities		**(87,575)**	(60,219)
Cash flows from financing activities			
Proceeds from borrowings		**150,000**	87,749
Proceeds from issue of shares pursuant to placing		**212,775**	—
Transaction cost attributable to issue of ordinary shares pursuant to placing		**(6,409)**	—
Proceeds from issue of shares pursuant to rights issue		**—**	100,542
Transaction cost attributable to issue of ordinary shares pursuant to right issue		**—**	(4,454)
Proceeds from issue of unlisted warrants		**—**	540
Expenses in related to issue of unlisted warrants		**—**	(182)
Proceeds from issue of shares pursuant to exercise of unlisted warrants		**—**	29,700
Proceeds from issue of convertible notes		**—**	10,000
Proceeds from issue of bonds payable		**76,306**	20,000
Proceeds from placing of convertible bonds		**42,044**	43,344
Repayment of borrowings		**(274,845)**	(29,096)
Repayment of guaranteed convertible note		**—**	(1,000)
Repayment of convertible notes		**—**	(8,000)
Repayment of promissory notes		**(10,240)**	(50,000)
Interest paid		**(20,751)**	(9,334)
Net cash generated from financing activities		**168,880**	189,809
Net (decrease)/increase in cash and cash equivalents		**(82,523)**	96,150
Cash and cash equivalents at the beginning of the year		**178,069**	83,767
Effect of foreign exchange rate changes		**(3,833)**	(1,848)
Cash and cash equivalents at the end of the year	30	**91,713**	178,069
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**91,713**	178,069

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

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company are set out in the section headed "Corporate Information" of the annual report.

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in Note 46.

The consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated. The directors consider that the functional currency of the Company is Renminbi ("RMB"). As the Company is listed on the Main Board of the Stock Exchange, the directors consider that it will be more appropriate to adopt Hong Kong dollars as the Group's and the Company's presentation currency.

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

In the current year, the Company has applied, for the first time, the following new standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Company's financial year beginning on 1 January 2015. A summary of the new and revised HKFRSs is set out as below:

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

Amendments to HKAS 19: Defined Benefit Plans: Employee Contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these consolidated financial statements as the defined benefit plans operated by the Company are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

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

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no significant impact on the Group.

- HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 Related Party Disclosures: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 Business Combinations: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 Fair Value Measurement: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKFRS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

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

Annual Improvements to HKFRSs 2011–2013 Cycle — continued

- HKAS 40 Investment Property: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisition of investment properties. The amendment has had no impact on the Group as the Group acquired investment properties during the year and the relevant transaction is classified as a purchase of asset.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investing Entities: Applying the Consolidation Exception[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 — 2014 Cycle[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[1]

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

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

HKFRS 9 Financial Instruments

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

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

HKFRS 9 Financial Instruments — continued

Key requirements of HKFRS 9:

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

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

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

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

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

HKFRS 9 Financial Instruments — continued

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

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

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

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

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

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

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

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

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

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

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

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

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

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 Property, Plant and Equipment and HKAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2012–2014 Cycle

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

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

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

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

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

The principal accounting policies are set out below.

(a) Basis of consolidation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(a) Basis of consolidation — continued

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

(b) Business combinations

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(b) Business combinations — continued

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

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(b) Business combinations — continued

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

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

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(d) Investments in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

Jointly-controlled assets

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly-controlled assets, the Group's share of the jointly-controlled assets and share of any liabilities incurred jointly with other venturers are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly-controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of the jointly-controlled assets, together with its share of any expenses incurred, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group and their amount can be measured reliably.

(e) Revenue recognition

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

Rental income from operating leases is recognised in profit or loss over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Contingent rentals are recognised as income in the accounting period in which they are earned.

Service income is recognised when services are provided.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(f) Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for the current year are as follows:

Leasehold improvements	20%–33.3% or over the shorter of the term of the lease
Plant	5%
Medical and operating equipment	5%–18% or over the shorter of the term of the co-operative contracts
Furniture, fixtures and equipment	20%–33.3%
Motor vehicles	10%–25%
Computer equipment	30%

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(g) Leases

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

The Group as lessor

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

The Group as lessee

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

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

Land use right under operating lease is initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

(h) Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(h) Foreign currencies — continued

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in other comprehensive income.

(i) Borrowings costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets, which are assets that necessary take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

(j) Retirement benefits costs

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(k) Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(k) Taxation — continued

Current and deferred tax for the year

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

(l) Other intangible assets

Other intangible assets acquired separately

Other intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Other intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Other intangible assets acquired in a business combination

Other intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, other intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of other intangible assets

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(m) Financial instruments

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

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

Financial assets

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

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(m) Financial instruments — continued

Financial assets — continued

Financial assets at fair value through profit or loss — continued

- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designed as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manned described in note 6.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(m) Financial instruments — continued

Financial assets — continued

Available-for-sale financial assets — continued

Dividend on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, promissory note receivable, other receivables, prepayments and deposits, amount due from a non-controlling shareholder of a subsidiary and cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(m) Financial instruments — continued

Financial assets — continued

Impairment of financial assets — continued

The objective evidence of impairment could include:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(m) Financial instruments — continued

Financial liabilities and equity instruments

Classification as financial liabilities or equity

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

Equity instruments

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

Convertible notes

Convertible note issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(m) Financial instruments — continued

Financial liabilities and equity instruments — continued

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to directors and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(m) Financial instruments — continued

Derecognition — continued

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

(n) Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated statement of comprehensive income in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees and others providing similar services after 7 November 2002 and vested on or after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(n) Share-based payment transactions — continued

Modification to original share options

If new share options are granted as replacement for the cancellation of previously granted share options, the grant of replacement share options is accounted for as modifications. The incremental fair value granted, representing the difference between the fair value of the modified/replaced share option and that of the original share option at the date of modification/replacement is expensed over the remaining vesting period of the share options, in addition to the amount based on fair value of the original share options at the grant date.

In situation where equity instruments are issued to parties other than employees are measured at the fair value of the goods or services received, except where the fair value of goods or services cannot be estimated reliably, in which case, they are measured at the fair value of equity instruments granted, measured at the date the Group receives the goods or services.

(o) Impairment loss on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(q) Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(r) Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

(r) Related party — continued

(2) An entity is related to the Company if any of the following condition applies:

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

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

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

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

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

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

(s) Current assets and liabilities

Current assets are expected to be realised within twelve months of the reporting date or in the normal course of the operating cycle. Current liabilities are expected to be settled within twelve months of the reporting date or in the normal course of the operating cycle.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment of trade and other receivables

The Group makes allowance for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Allowance is applied to trade and other receivables and promissory note receivable where events of changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables and promissory note receivable requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate had been changed.

Impairment of tangible assets

Management periodically reviews each tangible asset and assets classified as held for sale for possible impairment or reversal of previously recognised impairment. Recoverability of tangible assets and assets classified as held for sale is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell.

Impairment of property, plant and equipment and other intangible assets

Determining whether property, plant and equipment and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which property, plant and equipment and other intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculations are disclosed in notes 17 and 21 respectively.

Write-down of inventories

Inventories are stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, the management performs an inventory review on a product-by-product basis at the end of the reporting period and assess the need for write-down of inventories.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY — CONTINUED

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and The People's Republic of China (the "PRC"). Significant judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will accordingly be adjusted in the relevant tax account in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and current tax charges in the period in which such estimates have been changed.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt (which includes the borrowings, convertible bonds/notes, bonds payable and promissory note, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group is not subject to any externally imposed capital requirements.

5. CAPITAL RISK MANAGEMENT — CONTINUED

Gearing ratio

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through issue of new share and repayment of borrowings and bonds payables.

The gearing ratio at the end of the reporting period was as follows:

	2015	2014
	HK$'000	*HK$'000*
Debt (note (i))	**296,310**	253,572
Cash and cash equivalents (note 30)	**(91,713)**	(178,069)
Net debt	**204,597**	75,503
Equity (note (ii))	**378,190**	452,453
Net debt to equity ratio	**54.10%**	16.69%

Notes:

(i) Debt comprises borrowings, convertible bonds/notes, bonds payable and promissory note as detailed in notes 33, 34, 35 and 36 respectively.

(ii) Equity includes all capital and reserves of the Group.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015	2014
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables:		
— Trade receivables	24,011	41,593
— Other receivables and deposits	127,276	132,009
— Amount due from a joint venture	—	11,957
— Long-term deposits	106,477	106,154
— Cash and bank balances	91,713	178,069
	349,477	469,782
Financial assets at fair value through profit or loss	75,584	38,033
Available-for-sale financial assets		
— At fair value	85,288	—
— At cost	317,894	299,408
	403,182	299,408
Financial liabilities		
At amortised cost		
— Trade and other payables	150,444	49,595
— Amounts due to directors	—	528
— Borrowings	197,519	178,468
— Convertible bonds	—	43,227
— Convertible notes	1,963	1,937
— Bonds payable	96,828	20,018
— Promissory note	—	9,922
	446,754	303,695

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, amount due from a joint venture, long-term deposits, cash and bank balances, financial assets at fair value through profit or loss, available-for-sale financial assets, trade and other payables, amounts due to directors, borrowings, convertible bonds/notes, bonds payable and promissory note. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

(i) Credit risk management

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

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

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

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

The Group's exposure to credit risk is also influenced by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentration of credit risk as 48% (2014: 38%) and 90% (2014: 86%) of the trade receivables which was due from the Group's largest customer and the five largest customers respectively.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(ii) Market risk

(i) Foreign currency risk management

The carrying amounts of the Group's foreign currency denominated monetary liabilities at the end of the reporting period are as follows:

	2015	2014
	HK$'000	*HK$'000*
Liabilities		
Japanese Yen ("JPY")	**68,546**	72,922

Foreign currency sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in JPY.

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in Hong Kong dollars ("HK$") against JPY. 5% (2014: 5%) is the sensitivity rate used by management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a rate of 5% (2014: 5%) change in JPY. A positive number below indicates a decrease in loss/an increase in profit where HK$ strengthens 5% (2014: 5%) against the JPY. For a 5% (2014: 5%) weakening of HK$ against the JPY, there would be an equal and opposite impact on the loss/profit and the balances below would be negative.

	Impact of JPY	
	2015	2014
	HK$'000	*HK$'000*
Profit or loss (note)	**3,427**	3,646

Note:

This is mainly attributable to the exposure outstanding on payables denominated in JPY not subject to cash flow hedge at the end of the reporting period.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(ii) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, convertible bonds/notes, bonds payable and promissory note (see notes 33, 34, 35 and 36 respectively for details). The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate borrowings (see Notes 30 and 33 for details).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on its variable-rate bank balances and borrowings at the end of each reporting period. For variable-rate bank balances and borrowings, the analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2015 would decrease/increase by HK$614,000 (2014: loss would decrease/increase by HK$543,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and borrowings.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(iii) Equity price risks

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted in the Stock Exchange. In addition, the management of the Company monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the equity price had been 5% higher/lower (2014: 5% higher/lower), post-tax loss for the year ended 31 December 2015 would decrease/increase by approximately HK$5,248,000 (2014: decrease/increase by approximately HK$1,902,000) as a result of the change in fair value of financial assets at fair value through profit or loss and certain listed investments — equity securities listed in Hong Kong classified as available-for-sale financial assets.

6. FINANCIAL INSTRUMENTS — CONTINUED

(b) Financial risk management objectives and policies — continued

(ii) Market risk — continued

(iv) Liquidity risk management

The Group has net current assets as at 31 December 2015 and 31 December 2014. The Group has sufficient funds to finance its current working capital requirements taking into account of the existing borrowings and cash flows from operations.

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

The following table details the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand or within 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015					
Trade and other payables	**—**	**143,444**	**7,000**	**150,444**	**150,444**
Borrowings	**4.61**	**129,835**	**67,684**	**197,519**	**197,519**
Convertible notes	**5.00**	**—**	**2,000**	**2,000**	**1,963**
Bonds payable	**8.45**	**—**	**99,000**	**99,000**	**96,828**
		273,279	**175,684**	**448,963**	**446,754**
2014					
Trade and other payables	—	49,595	—	49,595	49,595
Amounts due to directors	—	528	—	528	528
Borrowings	6.53	109,704	68,764	178,468	178,468
Convertible bonds/notes	8.26	43,340	2,000	45,340	45,164
Bonds payable	7.16	—	20,000	20,000	20,018
Promissory note	5.00	—	10,240	10,240	9,922
		203,167	101,004	304,171	303,695

6. FINANCIAL INSTRUMENTS — CONTINUED

(c) Fair value measurements of financial instruments

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

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively.

(ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

(iii) the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

There were no transfers between Levels 1 and 2 in the both years.

6. FINANCIAL INSTRUMENTS — CONTINUED

(c) Fair value measurements of financial instruments — continued

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

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

Financial assets	Fair value as at 31 December 2015	Fair value as at 31 December 2014	Fair value hierarchy	Valuation techniques and key inputs
Financial assets at fair value through profit or loss	**Listed equity securities in Hong Kong: — HK$75,584,000**	Listed equity securities in Hong Kong: — HK$38,033,000	Level 1	Quoted bid prices in an active market
Available-for-sale financial assets	**Listed equity securities in Hong Kong: — HK$85,288,000**	Nil	Level 1	Quoted bid prices in an active market

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values:

	2015		2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial liabilities				
Convertible notes/bonds	**1,963**	**1,867**	45,164	45,143
Promissory note	**—**	**—**	9,922	9,906

6. FINANCIAL INSTRUMENTS — CONTINUED

(c) Fair value measurements of financial instruments — continued

Fair value hierarchy as at 31 December 2015

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Financial assets				
Financial assets at fair value through profit or loss	**75,584**	**—**	**—**	**75,584**
Available-for-sale financial assets	**85,288**	**—**	**—**	**85,288**

Fair value hierarchy as at 31 December 2014

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial assets				
Financial assets at fair value through profit or loss	38,033	—	—	38,033

7. REVENUE

Revenue represents the amounts received and receivable for goods and services provided, net of discounts and sales related taxes, by the Group to outside customers.

An analysis of the Group's revenue for the year is as follows:

	2015 *HK$'000*	2014 *HK$'000*
Income from membership programs	**54,653**	—
Income from private coaching programs	**17,406**	—
Income from fitness centre operation and related business	**13,976**	—
Income from optical products and eye-care services	**31,458**	2,390
Leasing and service income from chain of medical centres	**9,743**	82,995
	127,236	85,385

8. SEGMENT INFORMATION

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

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

(i)	Health management business	—	chain of sports and healthcare clubhouses under the brand name of "Megafit" in the PRC.
(ii)	Medical and well-being business	—	chain of optical products and eye-care services retail shops under the brand name of "Hong Kong Optical" in Hong Kong; and
		—	chain of medical centres specialising in the diagnosis and treatment of tumours in the PRC.
(iii)	Asset management	—	investment in financial/fixed/distressed assets and loan financing.

8. SEGMENT INFORMATION — CONTINUED

Segment revenue and results

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

Segment results

For the year ended 31 December 2015

	Health management business *HK$000*	Medical and well-being business *HK$000*	Asset management *HK$000*	Total *HK$000*
Segment revenue				
External sales	86,035	41,201	—	127,236
Segment revenue	86,035	41,201	—	127,236
Segment results	(3,558)	(128,627)	(87,425)	(219,610)
Unallocated other gains and losses				(69,284)
Central administration costs				(60,168)
Share of result of a joint venture				6,891
Finance costs				(16,655)
Loss before taxation				(358,826)
Income tax				(5,847)
Loss for the year				(364,673)

8. SEGMENT INFORMATION — CONTINUED

Segment results — continued

For the year ended 31 December 2014

	Medical and well-being business *HK$000*	Asset management *HK$000*	Total *HK$000*
Segment revenue			
External sales	85,385	—	85,385
Segment revenue	85,385	—	85,385
Segment results	56,119	(25)	56,094
Unallocated other gains and losses			15,108
Central administration costs			(38,300)
Share of results of associates			(1,971)
Share of result of a joint venture			(476)
Loss on disposal of associates			(60,960)
Finance costs			(8,995)
Loss before taxation			(39,500)
Income tax			(2,320)
Loss for the year			(41,820)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2014: HK$Nil).

Segment results represents the profit earned/loss incurred by each segment without allocation of central administration costs including directors' emoluments, share of results of associates, loss on disposal of associates, share of results of a joint venture, other gains and losses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

8. SEGMENT INFORMATION — CONTINUED

Segment assets and liabilities

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

As at 31 December 2015

	Health management business *HK$'000*	Medical and well-being business *HK$'000*	Asset management *HK$'000*	Total *HK$'000*
Segment assets	**112,456**	**534,931**	**379,449**	**1,026,836**
Unallocated				**67,170**
Consolidated assets				**1,094,006**
Segment liabilities	**109,508**	**127,976**	**55,886**	**293,370**
Unallocated				**249,022**
Consolidated liabilities				**542,392**

As at 31 December 2014

	Medical and well-being business *HK$'000*	Asset management *HK$'000*	Total *HK$'000*
Segment assets	605,126	117,689	722,815
Unallocated			180,674
Consolidated assets			903,489
Segment liabilities	20,988	57,926	78,914
Unallocated			237,358
Consolidated liabilities			316,272

8. SEGMENT INFORMATION — CONTINUED

Segment information

For the year ended 31 December 2015

	Health management business *HK$000*	Medical and well-being business *HK$000*	Asset management *HK$000*	Unallocated *HK$000*	Total *HK$000*
Additions to non-current assets (Note (a))	1,392	5,747	1,619	507	9,265
Amortisation of land use right	—	87	—	—	87
Amortisation of other intangible assets	304	1,338	—	—	1,642
Net loss on disposal of property, plants and equipment and other intangible assets	118	1	—	—	119
Impairment loss on trade receivables	—	17,172	—	—	17,172
Impairment loss on property, plant and equipment and others intangible assets	—	18,532	—	—	18,532
Impairment loss on available-for-sale financial assets	—	—	40,734	—	40,734
Depreciation of property, plant and equipment	2,210	4,501	2	742	7,455
Loss arising from change in fair value of investment properties	—	—	44,110	—	44,110
Loss arising from change in fair value of financial assets at fair value through profit or loss	—	—	2,011	—	2,011
Loss arising on extinguishment of convertible bonds	—	—	—	69,410	69,410
Loss on redemption of promissory note	—	—	—	305	305

8. SEGMENT INFORMATION — CONTINUED

Segment information — continued

For the year ended 31 December 2014

	Medical and well-being business *HK$'000*	Asset management *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets (Note (a))	1,498	—	1,251	2,749
Amortisation of land use right	88	—	—	88
Amortisation of other intangible assets	1,542	—	—	1,542
Depreciation of property, plant and equipment and jointly-controlled assets	8,193	—	277	8,470
Gain on disposal of a subsidiary	1,304	—	—	1,304
Gain arising from change in fair value investment properties	—	3,535	—	3,535
Net gain on disposal of property, plant and equipment and other intangible assets	16,909	—	(11)	16,898
Write-off of property, plant and equipment	—	—	259	259
Gain arising from change in fair value of financial assets at fair value through profit or loss	—	—	30	30
Loss on redemption of promissory note	—	—	1,608	1,608
Loss on redemption of convertible notes	—	—	23	23
Waiver of loan interest payable	—	—	789	789

Notes:

(a) Non-current assets represented property, plant and equipment and investment properties.

8. SEGMENT INFORMATION — CONTINUED

Revenue from major products and services

The Group's revenue from its major products and services were as follows:

	2015 HK$'000	2014 HK$'000
Income from membership programs	54,653	—
Income from private coaching programs	17,406	—
Income from fitness centre operation and related business	13,976	—
Income from optical products and eye-care services	31,458	2,390
Leasing and service income from chain of medical centres	9,743	82,995
	127,236	85,385

Geographical information

The Group operates in Hong Kong and the PRC.

The Group's revenue from external customers by location of operations are detailed below.

	2015 HK$'000	2014 HK$'000
Hong Kong	31,458	2,390
PRC	95,778	82,995
	127,236	85,385

The Group's information about its non-current assets by location of assets are detailed below:

	2015 HK$'000	2014 HK$'000
Hong Kong	303,924	54,719
PRC	386,260	404,504
	690,184	459,223

8. SEGMENT INFORMATION — CONTINUED

Information about major customers

For the year ended 31 December 2015, there was no single customer accounted for over 10% of total revenue of the Group.

For the year ended 31 December 2014, included in revenue arising from leasing of medical equipment of approximately HK$85,385,000 are revenue generated from three customers amounting to approximately HK$67,225,000 and each of these three customers has individually accounted for over 10% of the Group's total revenue. No other single customers contributed 10% or more to the Group's revenue of the year ended 31 December 2014.

Revenue from major customers was as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer A	—	41,597
Customer B	—	14,647
Customer C	—	10,981

9. OTHER GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
Licence fee income	**4,960**	—
Interest income on bank balances	**27**	925
Dividend income	**49**	—
Subsidy received	**910**	—
Exchange gain, net	**18**	10,029
Change in fair value of financial assets at fair value through profit or loss	**(2,011)**	30
Gain on disposal of a subsidiary (Note 42)	—	1,304
Loss on redemption of convertible notes	—	(23)
Loss on redemption of promissory note	**(305)**	(1,608)
Write-off of property, plant and equipment	—	(259)
Waiver of loan interest payable	—	789
Others	**456**	386
	4,104	11,573

10. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest expenses on:		
Bank and other borrowings wholly repayable within five years	**7,433**	1,881
Loans from a former intermediate holding company and a former fellow subsidiary not wholly repayable within five years	**1,665**	2,076
Imputed interest on purchase consideration payable	**—**	594
Guaranteed convertible note	**—**	195
Imputed interest on convertible bonds/notes (Note 34)	**3,224**	902
Imputed interest on bonds payable (Note 35)	**4,271**	416
Imputed interest on promissory note (Note 36)	**62**	2,931
	16,655	8,995

11. INCOME TAX

	2015	2014
	HK$'000	*HK$'000*
Hong Kong profits tax	**—**	—
PRC enterprise income tax	**5,946**	2,864
Deferred taxation	**(99)**	(544)
	5,847	2,320

Hong Kong profits tax had been provided at 16.5% (2014: 16.5%) on the estimated assessable profit for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The applicable PRC enterprise income tax rate is 25% for the years ended 31 December 2015 and 2014.

11. INCOME TAX — CONTINUED

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

	2015	2014
	HK$'000	*HK$'000*
Loss before taxation	**(358,826)**	(39,500)
Taxation at Hong Kong profits tax rate of 16.5% (2014: 16.5%)	**(59,206)**	(6,518)
Tax effect of expenses not deductible for tax purpose	**35,137**	18,628
Tax effect of income not taxable for tax purpose	**(1,148)**	(2,720)
Tax effect of tax losses not recognised	**35,698**	26
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,634)**	(7,096)
Income tax charge for the year	**5,847**	2,320

12. LOSS FOR THE YEAR

	2015 HK$'000	2014 HK$'000
Loss for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment (Note 17)	**7,455**	8,315
Depreciation of jointly-operated assets (Note 17)	**—**	155
Amortisation of other intangible assets included in cost of services (Note 21)	**1,642**	1,542
Amortisation of land use right (Note 18)	**87**	88
Total depreciation and amortisation	**9,184**	10,100
Auditors' remuneration		
— Audit services	**1,100**	980
— Non-audit services	**1,063**	—
Cost of inventories recognised as expenses	**15,154**	1,050
Net loss/(gain) on disposal of property, plant and equipment and other intangible assets	**119**	(16,898)
Impairment loss on available-for-sale financial assets	**40,734**	—
Impairment loss on trade receivables	**17,172**	—
Impairment loss on property, plant and equipment and other intangible assets	**18,532**	—
Change in fair value on investment properties (Note 19)	**44,110**	(3,535)
Loss arising on extinguishment of convertible bonds	**69,410**	—
Share of results of associates	**—**	1,971
Share of results of a joint venture	**(6,891)**	476
Withholding tax in relation to offshore transfer of available-for-sale financial assets	**67,131**	—
Loss on disposal of associates	**—**	60,960
Employee benefit expenses, including directors' emoluments:		
— salaries and other benefits	**49,977**	29,827
— equity-settled share-based payments	**15,148**	10,109

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2014: eleven) directors of the Company were as follows:

For the year ended 31 December 2015

	Fees	Other emoluments: Salaries and other benefits	Other emoluments: Employer's contribution to pension scheme	Share-based payments emoluments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors					
Chan Ka Chung	—	23,688	18	1,603	25,309
Hui Ka Chun (note (a))	—	200	6	—	206
Cheung Wai Kwan (note (b))	132	—	—	407	539
Wang Jianguo	600	—	—	—	600
Chan Yee Ping, Michael (note (c))	120	—	—	203	323
Lam Chun Ho (note (d))	120	—	—	203	323
Hu Xuezhen (note (e))	120	—	—	203	323
Wu Yan	100	—	—	—	100
	1,192	23,888	24	2,619	27,723

For the year ended 31 December 2014

	Fees	Other emoluments: Salaries and other benefits	Other emoluments: Employer's contribution to pension scheme	Share-based payments emoluments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors					
Chan Ka Chung	—	11,423	17	—	11,440
Hui Ka Chun (note (a))	—	192	3	1,010	1,205
Cheung Wai Kwan (note (b))	31	—	—	909	940
Wang Jianguo	600	—	—	—	600
Tang Chi Chiu (note (f))	98	—	—	—	98
Chan Yee Ping, Michael (note (c))	55	—	—	101	156
Lam Chun Ho (note (d))	23	—	—	101	124
Hu Xuezhen (note (e))	88	—	—	101	189
Wu Yan	100	—	—	—	100
Wu Chi Keung (note (g))	65	—	—	—	65
Kwok Chung On (note (h))	33	—	—	—	33
	1,093	11,615	20	2,222	14,950

13. DIRECTORS' EMOLUMENTS — CONTINUED

Notes:

(a) Appointed on 4 September 2014 and resigned on 16 April 2015.

(b) Appointed on 4 September 2014.

(c) Appointed on 15 July 2014.

(d) Appointed on 24 October 2014.

(e) Appointed on 8 April 2014.

(f) Resigned on 4 September 2014.

(g) Resigned on 15 July 2014.

(h) Resigned on 8 April 2014.

There is no emolument paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2015 and 2014. None of the Directors has waived any emolument during the years ended 31 December 2015 and 2014.

Senior management of the Group represents the executive directors during the years ended 31 December 2015 and 2014.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2014: two) were Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three individuals (2014: three) were as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries and other benefits	**5,888**	2,058
Employer's contribution to pension scheme	**54**	50
Share-based payment expenses	**6,567**	2,375
Total	**12,509**	4,483

14. EMPLOYEES' EMOLUMENTS — CONTINUED

The emoluments of the three (2014: three) non-director individuals with the highest emoluments were within the following bands:

	2015 *No. of employees*	2014 *No. of employees*
Nil to HK$1,000,000	—	—
HK$1,000,001 to HK$2,000,000	**3**	2
HK$2,000,001 to HK$2,500,000	—	1

There is no emolument paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2015 and 2014. None of the five highest paid individuals has waived any emolument during the years ended 31 December 2015 and 2014.

15. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: HK$ Nil).

16. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

Loss

	2015 *HK$'000*	2014 *HK$'000*
Loss for the purpose of basic loss per share	**(436,503)**	(61,138)

Number of shares

	2015 *'000*	2014 *'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,782,725**	873,630

The effects of the outstanding convertible bonds, convertible notes and outstanding share options were not included in the calculation of diluted loss per share for the years ended 31 December 2015 and 2014 as they have an anti-dilutive effect on the basic loss per share of the Company during the respective reporting periods.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant	Medical and operating equipment	Furniture, fixtures and equipment	Motor vehicles	Computer equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost								
At 1 January 2014	4,480	5,064	510,809	1,305	5,312	316	17,443	544,729
Additions	151	—	1,169	404	—	1,025	—	2,749
Acquisitions through business combinations	287	—	—	339	—	54	—	680
Reclassification	—	—	4,050	—	—	—	(4,050)	—
Disposals	(3,941)	—	(198,216)	(86)	—	—	(802)	(203,045)
Written-off	(518)	—	—	(102)	(677)	(17)	—	(1,314)
Exchange realignment	(22)	(21)	(2,218)	(4)	(20)	—	(79)	(2,364)
At 31 December 2014 and 1 January 2015	437	5,043	315,594	1,856	4,615	1,378	12,512	341,435
Additions	3,272	—	3,093	181	—	1,121	—	7,667
Acquisitions through business combinations	4,001	—	14,801	—	—	—	—	18,802
Disposals	(1,222)	—	(2,044)	(771)	—	(128)	—	(4,165)
Exchange realignment	—	(278)	(15,762)	(74)	(254)	—	(689)	(17,057)
At 31 December 2015	6,488	4,765	315,682	1,192	4,361	2,371	11,823	346,682
Accumulated depreciation and impairment								
At 1 January 2014	2,667	648	460,510	705	2,318	227	—	467,075
Provided for the year	491	242	6,858	303	480	96	—	8,470
Eliminated on disposals of assets	(2,712)	—	(154,786)	(73)	—	—	—	(157,571)
Write-off	(359)	—	—	(88)	(591)	(17)	—	(1,055)
Exchange realignment	(13)	(2)	(1,870)	—	(8)	—	—	(1,893)
At 31 December 2014 and 1 January 2015	74	888	310,712	847	2,199	306	—	315,026
Provided for the year	1,576	238	4,273	430	418	520	—	7,455
Eliminated on disposals of assets	(1,222)	—	(1,569)	(771)	—	(126)	—	(3,688)
Impairment loss recognised in profit or loss (Note 20)	—	2,671	2,917	264	1,362	—	8,542	15,756
Exchange realignment	—	(51)	(14,637)	(44)	(121)	—	—	(14,853)
At 31 December 2015	428	3,746	301,696	726	3,858	700	8,542	319,696
Carrying amount								
At 31 December 2015	**6,060**	**1,019**	**13,986**	**466**	**503**	**1,671**	**3,281**	**26,986**
At 31 December 2014	363	4,155	4,882	1,009	2,416	1,072	12,512	26,409

17. PROPERTY, PLANT AND EQUIPMENT — CONTINUED

During the year ended 31 December 2015, as a result of the promulgation of the CCMC Audit and Rectification Exercise in April 2015 which may have adverse effect on the Group's medical business, the Group carried out a review of the recoverable amount of the medical equipment. During the year, the impairment loss recognised on property, plant and equipment of approximately HK$15,756,000 (2014: Nil) which are located in the PRC. The impairment losses have been included in the consolidated statement of profit and loss and other comprehensive income. Please refer to note 20 for details.

18. LAND USE RIGHT

	2015	2014
	HK$'000	*HK$'000*
Carrying amount		
At 1 January	**3,887**	3,993
Exchange realignment	**(210)**	(18)
Amortisation of land use right (Note 12)	**(87)**	(88)
At 31 December	**3,590**	3,887
Analysed for reporting purpose as:		
Non-current assets	**3,506**	3,799
Current assets	**84**	88
	3,590	3,887

The land use right is situated outside Hong Kong and is held under a medium term lease.

19. INVESTMENT PROPERTIES

	2015	2014
	HK$'000	*HK$'000*
Completed investment properties	**150,600**	44,850
At fair value		
Completed investment properties		
At 1 January	**44,850**	—
Additions through acquisition of subsidiaries	**148,262**	41,315
Additions	**1,598**	—
(Loss)/gain on property revaluation	**(44,110)**	3,535
Balance at 31 December	**150,600**	44,850
Unrealised (loss)/gain arising from change in fair value of investment properties included in statement of profit or loss and other comprehensive income	**(44,110)**	3,535

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties have been pledged to secure general banking facilities granted to the Group (Note 33).

The carrying amounts of investment properties shown above comprises:

	2015	2014
	HK$'000	*HK$'000*
Land in Hong Kong		
— Medium term lease	**108,400**	—
— Long term lease	**42,200**	44,850
	150,600	44,850

19. INVESTMENT PROPERTIES — CONTINUED

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 31 December 2015 has been arrived at on the basis of a valuation carried out on the respective dates by independent qualified professional valuers not connected to the Group.

The independent qualified professional values are members of the Institute of Valuers in Hong Kong, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

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

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

	Level 2	**Level 3**	**Fair values as at 31/12/2015**
	HK$'000	***HK$'000***	***HK$'000***
Residential units located in Hong Kong	**148,000**	**—**	**148,000**
Car parking spaces located in Hong Kong	**2,600**	**—**	**2,600**
Total	**150,600**	**—**	**150,600**

	Level 2	Level 3	Fair values as at 31/12/2014
	HK$'000	*HK$'000*	*HK$'000*
Residential units located in Hong Kong	42,900	—	42,900
Car parking spaces located in Hong Kong	1,950	—	1,950
Total	44,850	—	44,850

For the residential units and car parking spaces located in Hong Kong, the fair value was derived using direct comparison method assuming each of the properties is capable of being sold in the existing state and by making reference to comparable sales evidence as available in the relevant markets.

The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

20. GOODWILL

	HK$'000
Cost	
At 1 January 2014	661,428
Additional amounts recognised from business combinations occurring during the year (Note 41(g))	5,043
At 31 December 2014 and 1 January 2015	666,471
Additional amounts recognised from business combinations occurring during the year (Note 41(b))	56,194
At 31 December 2015	722,665
Accumulated impairment losses	
At 1 January 2014, 31 December 2014 and 1 January 2015	661,428
Impairment loss recognised in the year	—
At 31 December 2015	661,428
Carrying amount	
At 31 December 2015	**61,237**
At 31 December 2014	5,043

Goodwill has been allocated for impairment testing purposes to the following groups of CGUs:

- Medical and well-being business — Tumour medical business line
- Medical and well-being business — Eye-care business line
- Health management business — Chain of sports and healthcare clubhouses business line

20. GOODWILL — CONTINUED

Before recognition of impairment losses, the carrying amount of goodwill was allocated to groups of CGUs units as follows:

	2015	2014
	HK$'000	*HK$'000*
Medical and well-being business:		
— Tumour medical business line	**661,428**	661,428
— Eye-care business line	**5,043**	5,043
Health management business:		
— Chain of sports and healthcare clubhouses business line	**56,194**	—
	722,665	666,471

Impairment testing on cash generating unit

Medical and well-being business — Tumour medical business line

During the year ended 31 December 2015, as a result of the promulgation of the CCMC Audit and Rectification Exercise in April 2015 which may have adverse effect on the Group's tumour medical business line. The Group considered it was an indication that the assets of the tumour medical business line may be impaired. The review of the recoverable amount of cash-generating unit (the "CGU") was performed by an independent qualified valuer as at 31 December 2015 and the values in use of the CGU have been measured by using cash flow projections based on the cash flows covering a five-years period with discount rate and terminal growth rate of 19.21% (2014: 23.51%) and 3% respectively.

The goodwill allocated to CGU was fully Impaired in prior years. The exceeds of carrying amount of CGU to its recoverable amount was the impairment loss of approximately HK$18,532,000 (2014: Nil) was allocated to each individual assets of the CGU pro rata on the basis of the carrying amounts of each assets in CGU. The amount was allocated as follows:

	2015	2014
	HK$'000	*HK$'000*
Properties, plant and equipment (note 17)	**15,756**	—
Other intangible assets (note 21)	**2,776**	—
	18,532	—

20. GOODWILL — CONTINUED

Impairment testing on cash generating unit — continued

Medical and well-being business — Eye-care business line

The recoverable amount of this group of CGU is determined based on a value in use calculation which uses a cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 16.01% (2014: 14.98%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the optical market.

Health management business — Chain of sports and healthcare clubhouses business line

The recoverable amount of this group of CGU is determined based on a value in use calculation which uses a cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 19.32% per annum. Cash flows beyond that five-year period have been extrapolated using a steady 3% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the optical market.

The key assumptions used in the value in use calculations are as follows:

Budgeted sales	Average sales in the period immediately before the budget period, plus a growth of 4.8–10% of sales per year. Except the Eye-care business is projected with a growth rate of 30% due to two new shops opened in 2016. The values assigned to the assumptions reflect past experience and are consistent with management plans for focusing operations in these markets. Management believes that the budgeted sales per year for the next five years is reasonably achievable.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements.

21. OTHER INTANGIBLE ASSETS

	Other intangible assets	Trademark	Customers relationship	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 January 2014	319,584	—	—	319,584
Disposal	(31,116)	—	—	(31,116)
Exchange realignment	(1,082)	—	—	(1,082)
At 31 December 2014 and 1 January 2015	287,386	—	—	287,386
Acquisition through business combinations	—	1,708	1,139	2,847
Exchange realignment	(12,273)	—	—	(12,273)
At 31 December 2015	275,113	1,708	1,139	277,960
Accumulated amortisation and impairment				
At 1 January 2014	309,249	—	—	309,249
Provided for the year (Note 12)	1,542	—	—	1,542
Disposals	(27,791)	—	—	(27,791)
Exchange realignment	(1,036)	—	—	(1,036)
At 31 December 2014 and 1 January 2015	281,964	—	—	281,964
Provided for the year (Note 12)	1,338	114	190	1,642
Impairment loss recognised in profit or loss (Note 20)	2,776	—	—	2,776
Exchange realignment	(12,032)	—	—	(12,032)
At 31 December 2015	274,046	114	190	274,350
Carrying amount				
At 31 December 2015	**1,067**	**1,594**	**949**	**3,610**
At 31 December 2014	5,422	—	—	5,422

The following useful lives are used in the calculation of amortisation:

Other intangible assets	3 years
Trademark	10 years
Customers relationship	4 years

21. OTHER INTANGIBLE ASSETS — CONTINUED

Included in other intangible assets is an amount of approximately HK$1,067,000 (2014: approximately HK$5,422,000) representing the lease contracts and service contracts entitle the Group to receive leasing and service income by leasing the gamma knife machines and related medical equipment to medical centres and provision of services on the operations of gamma knife machines and related medical equipment.

At 31 December 2015 and 2014, the relevant licences were obtained for all of those medical equipment which underlie the Group's other intangible assets.

The basis of the recoverable amount and the major underlying assumptions of the CGU of the Group's medical network business segment are summarised below:

During the year ended 31 December 2015, as a result of the promulgation of the CCMC Audit and Rectification Exercise in April 2015 which may have adverse effect on the Group's tumour medical business, the Group carried out a review of the recoverable amount of the medical equipment. The impairment loss of approximately HK$2,776,000 (2014: Nil) was recognised in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015. Please refer to note 20 for details.

22. INTERESTS IN ASSOCIATES

	2015	2014
	HK$'000	*HK$'000*
Cost of investments in associates	—	70,798
Share of post-acquisition losses and other comprehensive income	—	(479)
Disposal	—	(70,319)
	—	—

22. INTERESTS IN ASSOCIATES — CONTINUED

On 27 November 2014, the Company entered into a sale and purchase agreement in relation to the disposal of 38% of the issued share capital of the Redsun Group at a consideration of HK$9,500,000. The disposal was completed on 27 November 2014. Loss arising on disposal of associates was amounted to HK$60,960,000, which was calculated as follows:

	HK$'000
Sales proceeds	9,500
Less: Carrying amount of 38% investment on the date of loss of significant influence	(70,319)
Less: Reclassification of exchange translation reserve upon disposal	(141)
Loss recognised in consolidated statement of profit or loss and other comprehensive income	60,960

Summarised financial information in respect of Redsun Group was set out below:

	2015 HK$'000	2014 HK$'000
Revenue for the period	—	32,486
Loss for the period	—	(5,187)
Group's share of loss of associates for the period	—	(1,971)

23. JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	2015 HK$'000	2014 HK$'000
Cost of investments in joint ventures		
Unlisted	—	476
Share of post-acquisition profit/(loss) and other comprehensive income, net of dividends received	6,891	(476)
Disposal on acquisition of assets through acquisition of a subsidiary	(6,891)	—
	—	—

23. JOINT VENTURES — CONTINUED

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Classes of share held	Proportion ownership of interest held by the Group 2015	2014	Proportion of voting rights held by the Group 2015	2014	Principal activities
Golden Times Management Limited	Incorporated	British Virgin Islands	Hong Kong	Ordinary	—	50%	—	50%	Investment holding

On 20 May 2015, the Company entered into a sale and purchase agreement in relation to the further acquisition of 50% of the issued share capital of Golden Times Management Limited at a consideration of HK$3,500,000. The acquisition was completed on 20 May 2015.

Summarised financial information of material joint ventures:

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Golden Times Management Limited and its subsidiary

	2015 HK$'000	2014 HK$'000
Current assets	—	31
Non-current assets	—	127,000
Current liabilities	—	(134,312)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	—	31
Current financial liabilities (excluding trade and other payables and provisions)	—	(111,000)
Revenue	—	—
Profit/(loss) and total comprehensive income/(loss) for the period	**13,934**	(951)
The above loss for the period include the following:		
Interest expense	**3,022**	931
Group's share of profit/(loss) of joint venture for the period	**6,891**	(476)

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
	HK$'000	*HK$'000*
Available-for-sale financial asset comprise:		
Listed investments — equity securities listed in Hong Kong (Note (a))	**153,146**	34,806
Unlisted investments, at cost (Notes (b) to (d))	**250,036**	264,602
	403,182	299,408
Analysed for reporting purposes as:		
Current assets	**67,858**	34,806
Non-current assets	**335,324**	264,602
	403,182	299,408

Notes:

(a) As at 31 December 2015, the Group hold 29.3% (2014: 17.86%) and 19.6% (2014: 0%) of the ordinary shares of IR Resources Limited ("IR Resources") and Rui Kang Pharmaceutical Group Investments Limited (the "Rui Kang") respectively, the companies are listed on Growth Enterprises Market of the Stock Exchange in Hong Kong, and certain securities listed on the Main Board of the Stock Exchange (which were classified as available-for-sale financial assets). Both IR Resources and Rui Kang are not regarded as associates of the Group as the Group does not have significant influence nor participate in the policy-making and the operating and no right to appoint directors of these two companies. The fair value of the listed investments are determined by reference to the quoted market bid prices available on the Stock Exchange.

(b) During the year ended 31 December 2013, Anping Medical Treatment Technology (Wuhu) Co., Limited ("Anping Technology"), a non wholly-owned subsidiary of the Company entered into an investment agreement with an independent third party and pursuant to which Anping Technology will invest RMB60 million and have an effective interest of approximately 11.25% in the medical project in which Anping Technology will be responsible for the management on the application of radiotherapy medical equipment. It is measured at cost less impairment at the end of the reporting period because the variability in the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. Therefore, the directors are in the opinion that the fair value cannot be measured reliably. No impairment was recognised during the year ended 31 December 2015.

(c) On 24 February 2014, Anping Technology entered into a co-operation agreement with two independent third parties pursuant to which Anping Technology and two independent third parties will invest up to RMB500 million in aggregate for the purpose of constructing, establishing and the subsequent business operation of a tumour-specialised hospital located in Anhui Province, the PRC. Based on the co-operation agreement, Anping Technology will invest up to RMB90 million in cash. As at 31 December 2015 and 2014, Anping Technology's investment amounted to approximately RMB74,380,000. It is measured at cost less impairment at the end of the reporting period because the variability in the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. Therefore, the directors are in the opinion that the fair value cannot be measured reliably. No impairment was recognised during the year ended 31 December 2015.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS — CONTINUED

Notes: — continued

(d) On 31 December 2014, Anping Technology and an independent third partly entered into an investment agreement and pursuant to which Anping Technology will invest RMB75 million and have an effective interest of approximately 12.5% in the health and elderly care project. It is measured at cost less impairment at the end of the reporting period because the variability in the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. Therefore, the directors are in the opinion that the fair value cannot be measured reliably. No impairment was recognised during the year ended 31 December 2015.

The impairment loss of approximately HK$40,734,000 was recognised in consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2015 (2014: Nil) as the market price of a listed investment in Rui Kang as at 31 December 2015 is significantly less than its cost.

25. LONG-TERM PREPAYMENTS AND DEPOSITS

	2015 ***HK$'000***	2014 *HK$'000*
Deposits paid for acquisition of available-for-sale financial assets	**17,913**	18,956
Deposits paid for acquisition of property, plant and equipment	**88,564**	87,198
Prepaid interest of bonds payable	**2,444**	2,944
	108,921	109,098

26. INVENTORIES

	2015 ***HK$'000***	2014 *HK$'000*
Consumables and others	**918**	—
Finished goods	**10,181**	6,222
	11,099	6,222

27. TRADE RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2015 *HK$'000*	2014 *HK$'000*
Trade receivables (note (a))	41,183	41,593
Less: provision for impairment of receivable (note (c))	(17,172)	—
Trade receivables — net	24,011	41,593
Other receivables, prepayments and deposit (note (d))	133,473	133,498
	157,484	175,091

Notes:

(a) The Group generally allows an average credit period of 180 days (2014: 180 days) to its trade customers. The following is an ageing analysis of trade receivables by invoice date as at the end of reporting period which are neither individually nor collectively considered to be impaired:

	2015 *HK$'000*	2014 *HK$'000*
0–180 days (neither past due nor impaired)	1,146	24,838
181–270 days (1 to 3 months past due)	1,047	9,212
271–365 days (4 to 6 months past due)	7,373	7,543
Over 365 days (More than 6 months past due)	14,445	—
	24,011	41,593

(b) At 31 December 2015, trade receivables of HK$1,146,000 (2014: HK$24,838,000) are neither past due nor impaired. The Group considers the credit quality of the trade receivables within the credit limit set by the Group using the internal assessment taking into account of the repayment history and financial difficulties (if any) of the trade debtors and did not identify any credit risk on these trade receivables. The Group does not hold any collateral over these balances.

Age of receivables that are past due but not impaired

	2015 *HK$'000*	2014 *HK$'000*
Overdue by:		
1–90 days	1,047	9,212
91–180 days	7,373	7,543
more than 180 days	14,445	—
	22,865	16,755

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised provision for impairment of receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

27. TRADE RECEIVABLES AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS — CONTINUED

(c) Movements in provision for impairment of receivables was as follows:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**—**	—
Impairment loss recognised on receivables	**17,172**	—
At 31 December	**17,172**	—

Impairment loss of approximately HK$17,172,000 was recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2015. The impairment was related to a business partner of medical center delay to settle the outstanding balance due to promulgation of the CCMC Audit and Rectification Exercise. The management expected the outstanding balance may not be recovered and therefore provision for impairment was provided.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
	HK$'000	*HK$'000*
Listed securities:		
— Equity securities listed in Hong Kong	**75,584**	38,033

The fair values of the listed investments are determined by reference to the quoted market bid prices available on the Stock Exchange.

29. AMOUNT DUE FROM A JOINT VENTURE

The amount due from a joint venture was unsecured, interest-free and recoverable on demand. During the year ended 31 December 2015, the highest balance of amount due from a joint venture was HK$11,957,000 (2014: HK$12,433,000).

30. CASH AND BANK BALANCES

The Group's bank balances of HK$91,690,000 (2014: HK$178,005,000) carried variable-rate interest at 0.01%–0.27% per annum (2014: 0.001%–2.60% per annum).

At the end of reporting period, the bank balances and cash of the Group denominated in RMB amounted to HK$34,989,000 (2014: HK$49,976,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

31. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**5,975**	5,189
Provision for clawback of fund performance fee (note (a))	**8,915**	8,915
Provision for long service payment	**537**	537
Amounts due to former directors of a subsidiary (note (b))	**—**	2,257
Other payables and accruals	**47,030**	28,197
Withholding tax in relation to offshore transfer of available-for-sale financial assets	**66,987**	—
Amounts due to non-controlling shareholders of subsidiaries	**21,000**	4,500
	150,444	49,595
Less: Non-current portion	**(7,000)**	—
	143,444	49,595

The following is an analysis of trade payables by age based on invoice date:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**1,508**	3,027
31–60 days	**1,537**	674
61–90 days	**1,822**	413
Over 90 days	**1,108**	1,075
	5,975	5,189

31. TRADE AND OTHER PAYABLES — CONTINUED

Notes:

(a) It represented a provision for clawback of fund performance fee income which was received by the Group in 2004. The Group received the income of HK$8,915,000 (2014: HK$8,915,000) in prior years, which was calculated based on the net realised gain on disposal of investments by the fund, which is subject to the clawback provision, in which the Group is required to restore the fund for any deficit amount that would have been occurred upon the termination of the fund in 2007. The fund was terminated in 2007 and the directors of the Company considered that no further provision was required as at 31 December 2015 and 2014.

(b) As at 31 December 2014, included in amounts due to former directors of a subsidiary amount to approximately HK$607,000 were unsecured, interest bearing at 10% per annum and repayable in one year. The remaining amounts were unsecured, interest-free and repayable on demand.

32. RECEIPT IN ADVANCE

The amount of approximately HK$77,807,000 (2014: Nil) is in relation to the receipt in advance for membership and others fees received. Payments that are related to membership programs not yet provided are deferred and recognised as receipt in advance in the consolidated statement of financial position. Receipts in advance will be subsequently recognised as revenue of the Group and then be eliminated.

33. BORROWINGS

	2015 ***HK$'000***	2014 *HK$'000*
Bank loan (Note (a))	**55,155**	1,500
Loans from financial institutions (Note (b))	**65,000**	109,000
Loan from a independent third party (Note (c))	**9,680**	—
Loan from a former intermediate holding company (Note (d))	**9,724**	9,765
Loan from a former fellow subsidiary (Note (e))	**57,960**	58,203
	197,519	178,468
Secured	**55,155**	53,228
Unsecured	**142,364**	125,240
	197,519	178,468
Carrying amount repayable:		
Within one year	**129,835**	109,704
More than one year, but not exceeding two years	**—**	519
More than two years, but not exceeding five years	**—**	277
More than five years	**67,684**	67,968
	197,519	178,468
Less: Amounts shown under current liabilities	**(129,835)**	(109,704)
	67,684	68,764

33. BORROWINGS — CONTINUED

Notes:

(a) The bank loan is secured by the Group's investment properties (see note 19) and bear interest at 2.5% per annum over 1 month HIBOR or the Bank's Cost of Funds, whichever is higher. The weighted average effective interest rate on the bank loan is 2.65% per annum.

(b) Loans from financial institutions of approximately HK$65,000,000 were unsecured and interest bearing from 8% to 8.5% (2014: 8% to 12%) per annum.

(c) Loan from a independent third party of approximately HK$9,680,000 was unsecured and interest bearing of 8.5% per annum.

(d) The amount represents a loan from a former intermediate holding company of the Company. The loan, denominated in Japanese Yen, is unsecured, interest bearing at the prime rate published by Mizuho Corporate Bank in Japan plus 1% per annum. Pursuant to the deed of amendment and restatement signed between the Company, a former intermediate holding company, a former fellow subsidiary and Fair Winner Limited on 9 July 2014, the repayment date of the loan was extended to 30 June 2026.

(e) The amount represents a loan from a former fellow subsidiary of the Company. The loan, denominated in Japanese Yen, is unsecured, interest bearing at the prime rate published by Mizuho Corporate Bank in Japan plus 1% per annum. Pursuant to the deed of amendment and restatement signed between the Company, a former intermediate holding company, a former fellow subsidiary and Fair Winner Limited on 9 July 2014, the repayment date of the loan was extended to 30 June 2026.

34. CONVERTIBLE BONDS/NOTES

	Convertible notes 1 HK$'000	Convertible notes 2 HK$'000	Convertible bonds 1 HK$'000	Convertible bonds 2 HK$'000	Total HK$'000
Liability component:					
At 1 January 2014	—	—	—	—	—
Issue of convertible notes/ convertible bonds	7,678	1,916	43,203	—	52,797
Redemption of convertible notes	(5,793)	(1,924)	—	—	(7,717)
Interest charged (Note 10)	258	42	602	—	902
Interest paid/payable	(206)	(34)	(578)	—	(818)
At 31 December 2014 and 1 January 2015	1,937	—	43,227	—	45,164
Issue of convertible bonds	—	—	—	41,868	41,868
Interest charged (Note 10)	126	—	1,384	1,714	3,224
Interest paid/payable	(100)	—	(1,349)	(1,242)	(2,691)
Derecognition of convertible bonds	—	—	(43,262)	(42,340)	(85,602)
At 31 December 2015	**1,963**	**—**	**—**	**—**	**1,963**
Classified as:					
Non-current liabilities	**1,963**	**—**	**—**	**—**	**1,963**

34. CONVERTIBLE BONDS/NOTES — CONTINUED

(a) Convertible notes 1 — HK$8,000,000 5% convertible notes due 2017

On 6 May 2014, the Company issued convertible notes with the aggregate principal amount of HK$8,000,000 which bears an interest rate of 5% per annum. The convertible notes entitle the holder to convert to ordinary shares at a conversion price of HK$0.04 per ordinary share, subject to adjustments in accordance with the instrument constituting the convertible note, at any time from 6 May 2014 to the third anniversary of the date of issue of the convertible notes, i.e. 6 May 2017 (the maturity date). Pursuant to the share consolidation effective on 12 June 2014, the conversion price was adjusted to HK$0.8 per ordinary share. Pursuant to the rights issue completed in October 2014, the conversion price was further adjusted to HK$0.66 per ordinary share.

Conversion may occur at any time from the date of issue of convertible notes and up to the date falling 30 business days before the maturity date. If the convertible notes have not been converted, they will be redeemed on the maturity date at HK$8,000,000. Interest of 5% will be paid semi-annually based on the outstanding amount of the convertible notes.

Pursuant to the placing of shares completed on 10 April 2015, the conversion price was adjusted from HK$0.66 to HK$0.6409 per share.

Pursuant to the placing of shares completed on 15 June 2015, the conversion price was adjusted from HK$0.6409 to HK$0.4653 per share.

Pursuant to the placing of shares completed on 22 December 2015, the conversion price was further adjusted from HK$0.4653 to HK$0.4526 per share.

The convertible notes contain two components: liability and equity components. The equity element is presented in the heading "equity component of convertible bonds/notes". The effective interest rate of the liability component on initial recognition is 6.49% per annum.

34. CONVERTIBLE BONDS/NOTES — CONTINUED

(a) Convertible notes 1 — HK$8,000,000 5% convertible notes due 2017 — continued

	HK$'000
Proceeds of issue	8,000
Liability component at date of issue	(7,678)
Equity component	322
Liability component at date of issue	7,678
Redemption	(5,793)
Interest charged calculated at an effective interest rate of 6.49%	258
Interest paid/payable	(206)
Liability component at 31 December 2014 and 1 January 2015	1,937
Interest charged calculated at an effective interest rate of 6.49%	126
Interest paid/payable	(100)
Liability component at 31 December 2015	1,963

During the year ended 31 December 2014, the convertible note with the principal amount of HK$6,000,000 had been redeemed by the Company.

(b) Convertible notes 2 — HK$2,000,000 5% convertible notes due 2017

On 3 July 2014, the Company issued convertible notes with the aggregate principal amount of HK$2,000,000 which bear an interest rate of 5% per annum. The convertible notes entitle the holder to convert to ordinary shares at a conversion price of HK$0.80 per ordinary share, subject to adjustments in accordance with the instrument constituting the convertible note, at any time from 3 July 2014 to the third anniversary of the date of issue of the convertible notes, i.e. 3 July 2017 (the maturity date). Pursuant to the rights issue completed in October 2014, the conversion price was adjusted to HK$0.66 per ordinary share.

Conversion may occur at any time from the date of issue of convertible notes and up to the date falling 30 business days before the maturity date. If the convertible notes have not been converted, they will be redeemed on the maturely date at HK$2,000,000. Interest of 5% will be paid semi-annually based on the outstanding amount of the convertible notes.

34. CONVERTIBLE BONDS/NOTES — CONTINUED

(b) Convertible notes 2 — HK$2,000,000 5% convertible notes due 2017 — continued

The convertible notes contain two components: liability and equity components. The equity element is presented in the heading "equity component of convertible bonds/notes". The effective interest rate of the liability component on initial recognition is 6.56% per annum.

	HK$'000
Proceeds of issue	2,000
Liability component at date of issue	(1,916)
Equity component	84
Liability component at date of issue	1,916
Redemption	(1,924)
Interest charged calculated at an effective interest rate of 6.56%	42
Interest paid	(34)
Liability component at 31 December 2014	—

During the year ended 31 December 2014, the entire convertible note had been redeemed by the Company.

34. CONVERTIBLE BONDS/NOTES — CONTINUED

(c) Convertible bonds 1 — HK$43,344,360 8% convertible bonds due 2015

On 31 October 2014, the Company issued convertible bonds with the aggregate principal amount of HK$43,344,360 which bear an interest rate of 8% per annum. The convertible bonds entitle the holder to convert to ordinary shares at a conversion price of HK$0.32 per ordinary share, subject to adjustments in accordance with the instrument constituting the convertible bonds, at any time from 31 October 2014 to the first anniversary of the issue of the convertible bonds, i.e. 31 October 2015 (the maturity date). Pursuant to an ordinary resolution passed by the shareholders of the Company on 20 May 2015, the conversion price was adjusted to HK$0.183 per ordinary share.

Conversion may occur at any time after the date falling three calendar months after the date of issue of the convertible bonds until the date seven days before the maturity date. If the convertible bonds have not been converted, they will be redeemed on the maturity date at HK$43,344,360. Interest of 8% will be paid quarterly based on the outstanding amount of the convertible bonds.

The convertible bonds contain two components: liability and equity components. The equity element is presented in equity heading "equity component of convertible bonds". The effective interest rate of the liability component on initial recognition was 8.61% per annum.

	HK$'000
Proceeds of issue	43,344
Liability component at date of issue	(43,203)
Equity component	141
Liability component at date of issue	43,203
Interest charged	602
Interest paid	(578)
Liability component at 31 December 2014 and 1 January 2015	43,227
Interest charged	1,384
Interest paid	(1,349)
Extinguishment of convertible bonds	(43,262)
Liability component at 31 December 2015	—

During the year ended 31 December 2015, the convertible bonds holder exercised his conversion right to convert the entire convertible bonds.

34. CONVERTIBLE BONDS/NOTES — CONTINUED

(d) Convertible bonds 2 — HK$43,344,360 8% convertible bonds due 2016

On 12 January 2015, the Company issued convertible bonds with the aggregate principal amount of HK$43,344,360 which bear an interest rate of 8% per annum. The convertible bonds entitle the holder to convert to ordinary shares at a conversion price of HK$0.32 per ordinary share, subject to adjustments in accordance with the instrument constituting the convertible bonds, at any time from 12 January 2015 to the first anniversary of the issue of the convertible bonds, i.e. 12 January 2016 (the maturity date). Pursuant to an ordinary resolution passed by the shareholders of the Company on 20 May 2015, the conversion price was adjusted to HK$0.183 per ordinary share.

Conversion may occur at any time after the date falling three calendar months after the date of issue of the convertible bonds until the date seven days before the maturity date. If the convertible bonds have not been converted, they will be redeemed on the maturity date at HK$43,344,360. Interest of 8% will be paid quarterly based on the outstanding amount of the convertible bonds.

The convertible bonds contain two components: liability and equity components. The equity element is presented in equity heading "equity component of convertible bonds". The effective interest rate of the liability component on initial recognition was 12.14% per annum".

	HK$'000
Proceeds of issue (net of commission of HK$1,300,000)	42,044
Liability component at date of issue	(41,868)
Equity component	176
Liability component at 1 January 2014, 31 December 2014 and 1 January 2015	—
Issue of convertible bonds	41,868
Interest charged	1,714
Interest paid	(1,242)
Extinguishment of convertible bonds	(42,340)
Liability component at 31 December 2015	—

During the year ended 31 December 2015, the convertible bonds holder exercised his conversion right to convert the entire convertible bonds.

35. BONDS PAYABLE

	Bond 1 *HK$'000*	Bond 2 *HK$'000*	Bond 3 *HK$'000*	Bond 4 *HK$'000*	Total *HK$'000*
At 1 January 2014	—	—	—	—	—
Issue of bonds	10,000	10,000	—	—	20,000
Interest charged	359	57	—	—	416
Interest paid/payable	(342)	(56)	—	—	(398)
At 31 December 2014 and 1 January 2015	10,017	10,001	—	—	20,018
Issue of bonds, net of transaction costs	—	—	8,100	68,206	76,306
Interest charged	632	474	504	2,661	4,271
Interest paid/payable	(600)	(500)	(392)	(2,275)	(3,767)
At 31 December 2015	**10,049**	**9,975**	**8,212**	**68,592**	**96,828**

(a) Bond 1 — HK$10,000,000 6% bond due 2017

On 6 June 2014, the Company issued HK$10,000,000 6% bond ("6% Bond") with the aggregate principal amount of HK$10,000,000.

The 6% Bond will be matured on 6 June 2017. Interest of 6% will be paid quarterly until the 6% Bond is matured.

The effective interest rate of the 6% Bond on initial recognition is 6.37% per annum.

	HK$'000
At date of issue	10,000
Interest charged calculated at an effective interest rate of 6.37%	359
Interest paid/payable	(342)
At 31 December 2014 and 1 January 2015	10,017
Interest charged calculated at an effective interest rate of 6.37%	632
Interest paid/payable	(600)
At 31 December 2015	10,049

35. BONDS PAYABLE — CONTINUED

(b) Bond 2 — HK$10,000,000 5% bond due 2021

On 20 November 2014, the Company issued HK$10,000,000 5% bond ("5% Bond") with the aggregate principal amount of HK$10,000,000.

The 5% Bond will be matured on 20 November 2021. Interest of 5% per annum is payable in lump sum within 7 days after the issue date.

The effective interest rate of the 5% Bond on initial recognition is 7.95% per annum.

	HK$'000
At date of issue	10,000
Interest charged calculated at an effective interest rate of 7.95%	57
Interest paid	(56)
At 31 December 2014 and 1 January 2015	10,001
Interest charged calculated at an effective interest rate of 7.95%	474
Interest paid	(500)
At 31 December 2015	9,975

(c) Bond 3 — HK$9,000,000 6% bond due 2020

On 10 April 2015, the Company issued HK$9,000,000 6% bond ("6% bond") with the aggregate principal amount of HK$9,000,000.

The 6% Bond will be matured on 10 April 2020. Interest of 6% will be paid quarterly until the 6% Bond is matured.

The effective interest rate of the 6% Bond on initial recognition is 8.57% per annum.

	HK$'000
At date of issue, net of transaction costs	8,100
Interest charged calculated at an effective interest rate of 8.57%	504
Interest paid/payable	(392)
At 31 December 2015	8,212

35. BONDS PAYABLE — CONTINUED

(d) Bond 4 — HK$70,900,000 9.6% bond due 2017

On 31 August 2015, the Company issued HK$70,900,000 9.6% bond ("9.6% bond") with the aggregate principal amount of HK$70,900,000.

The 9.6% Bond will be matured on 31 August 2017. Interest of 9.6% will be paid quarterly until the 9.6% bond is matured.

The effective interest rate of the 9.6% Bond on initial recognition is 11.58% per annum.

	HK$'000
At date of issue, net of transaction costs	68,206
Interest charged calculated at an effective interest rate of 11.58%	2,661
Interest paid	(2,275)
At 31 December 2015	68,592

36. PROMISSORY NOTE

On 27 February 2014, the Company issued the promissory note in the aggregate principal amount of HK$60,240,000 which matures in February 2017 and bears interest rate of 5% per annum as part of consideration for acquiring 38% equity interests of Redsun.

	HK$'000
At 27 February 2014 (date of issue)	57,709
Interest charged calculated at an effective interest rate of 6.55% (note 10)	2,931
Interest payable	(2,326)
Redemption of promissory note	(48,392)
At 31 December 2014 and 1 January 2015	9,922
Interest charged calculated at an effective interest rate of 6.55% (note 10)	62
Interest payable	(49)
Redemption of promissory note	(9,935)
At 31 December 2015	—

The fair value of the liability component of the promissory note was calculated using an equivalent market interest rate for an equivalent instrument at the issue date. The fair value of the liability component of the promissory note at the issue date amounted to approximately HK$57,716,000. The fair value is calculated using discounted cash flow method at a rate of 6.12%.

36. PROMISSORY NOTE — CONTINUED

During the year ended 31 December 2015, the promissory note with the principal amount of HK$10,240,000 (2014: HK$50,000,000) had been repaid by the Company.

37. DEFERRED TAX LIABILITIES

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

	Fair value adjustment of other intangible assets	**Convertible notes**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2014	533	—	533
Exchange realignment	(3)	—	(3)
Recognised directly in equity	—	90	90
Released on redemption of convertible notes	—	(46)	(46)
Credited to consolidated statement of profit or loss and other comprehensive income	(530)	(14)	(544)
At 31 December 2014 and 1 January 2015	—	30	30
Fair value adjustment arising from acquisition of subsidiaries	711	—	711
Released on conversion of convertible notes	—	(24)	(24)
Credited to consolidated statement of profit or loss and other comprehensive income	(75)	—	(75)
At 31 December 2015	**636**	**6**	**642**

At the end of reporting period, the Group had unused tax losses of approximately HK$245,257,000 (2014: approximately HK$242,154,000) available for offset against the future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

There was no other significant unrecognised temporary difference as at 31 December 2015 and 2014.

38. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Issued and fully paid:		
At 1 January 2014	13,545,113	1,354,511
Transfer from share premium (Note (a))	—	981,851
Transfer from capital redemption reserve (Note (a))	—	1,899
Effect of share consolidation (Note (b))	(12,867,858)	—
Issue of shares pursuant to exercise of unlisted warrants (Note (c))	67,500	29,879
Issue of shares pursuant to rights issue (Note (d))	372,378	96,088
At 31 December 2014 and 1 January 2015	1,117,133	2,464,228
Issue of shares pursuant to placing (Note (e), (g) and (h))	1,021,705	206,366
Issue of shares pursuant to conversion of convertible bonds (Note (f))	473,709	86,689
At 31 December 2015	**2,612,547**	**2,757,283**

Notes:

(a) Under the Hong Kong Companies Ordinance (Cap. 622), which came into force on 3 March 2014, the concept of authorised share capital no longer exists. In accordance with the said Ordinance, the Company's shares no longer have a par or nominal value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition. In addition, in accordance with the transitional provisions set out in section 37 of Schedule 11 to the said Ordinance, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital.

(b) Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 12 June 2014, every 20 ordinary shares of the Company are consolidated into 1 share of the Company.

(c) On 29 August 2014, the Company received the subscription form for exercise of all of the subscription rights under the Tranche One Warrants. The Company has received payment of HK$29.7 million and allotted and issued a total of 67,500,000 warrant shares at the exercise price of HK$0.44 per warrant share on 1 September 2014. The warrant shares ranked pari passu with all existing shares as at the date of allotment and among themselves in all respects and will represent 9.1% of the issued share capital of the Company as enlarged by the allotment and issue of the 67,500,000 warrant shares.

(d) Pursuant to the rights issue on the basis of one rights share for every two shares held on the record date, 372,377,813 new shares were issued in October 2014 at HK$0.27 per share. The net proceeds of approximately HK$96,000,000 was intended to use for financing the Group's future investments identified and/or to be identified and for general working capital purpose.

(e) On 10 April 2015, 223,426,687 shares were issued by way of placing at a price of HK$0.19 per share for cash consideration of approximately HK$41,170,000 for the purpose of financing the Group's investment opportunities, general working capital and reduction of debt.

(f) On 20 May 2015, the holders of convertible bonds exercised their conversion right to convert the principal amount in aggregate of HK$86,689,000 into 473,708,851 shares.

38. SHARE CAPITAL — CONTINUED

Notes: — continued

(g) On 15 June 2015, 362,853,795 shares were issued by way of placing at a price of HK$0.335 per share for cash consideration of approximately HK$117,896,000 for the purpose of financing of the Group's investment opportunities, general working capital and reduction of debt for the continuous development of the Group's principal businesses.

(h) On 22 December 2015, 435,424,554 shares were issued by way of placing at a price of HK$0.112 per share for cash consideration of approximately HK$47,300,000 for the purpose of general working capital for development of the Group's principal businesses and enhancement of the Group's capital structure.

39. RESERVES

(i) Share premium and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital (Note 38). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(ii) Share option reserve

This reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible persons, including any full-time and part-time employee, director, consultant or advisor of the Company and its subsidiaries or any associate of the Company, recognised in accordance with the accounting policy in Note 3(n).

(iii) Exchange translation reserve of the Group

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 3(h).

(iv) Equity components of convertible bonds/notes

Equity components of convertible bonds/notes have been set up and will be dealt with in accordance with the Group's accounting policies in Note 3(m).

(v) Other reserves of the Group

This reserve represents the changes in the Group's ownership interests in its subsidiaries that do not result in loss of control.

39. RESERVES — CONTINUED

(vi) Distributable reserves

As at 31 December 2015, the Company had no reserves available for distribution under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622) (2014: Nil).

40. SHARE-BASED PAYMENTS

2001 Share Option Scheme

The Company's share option scheme, which was adopted pursuant to a resolution passed on 30 October 2001 ("2001 Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees, was expired in 2011. Under the 2001 Share Option Scheme, the board of directors of the Company may grant options to eligible persons to subscribe for shares in the Company.

At 31 December 2015, the adjusted number of shares in respect of which options was granted and remained outstanding under the 2001 Share Option Scheme was 21,963,527 (2014: 30,158,214 (unadjusted)), representing 0.8% (2014: 2.7%) of the shares of the Company in issue as at 31 December 2015. The total number of shares in respect of which options may be granted under the 2001 Share Option Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. An option may be exercised in accordance with terms of the 2001 Share Option Scheme at any time during a period to be notified by the board of directors to each grantee, such period of time not exceeding 10 years from the date of grant of the option.

The exercise price is determined by the directors, and will not be less than the higher of (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date as mentioned in (i) above; and (iii) the nominal value of the Company's shares.

The options outstanding at 31 December 2015 had the adjusted weighted average exercise price of HK$2.49 (2014: weighted average exercise price of HK$2.49) and weighted average remaining contractual life of 1.7 years (2014: 2.7 years).

40. SHARE-BASED PAYMENTS — CONTINUED

2001 Share Option Scheme — continued

The following table discloses movements of the Company's share options under the 2001 Share Option Scheme during the years ended 31 December 2015 and 2014:

2015

Grantee	Date of grant	Vesting period	Exercisable period	Adjusted exercise price per share HK$ (Note 1)	At 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2015
					Number of share options				
Former employees	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	3.42	58,395	—	—	(58,395)	—
	28-12-2007	07-03-2009 to 07-03-2010	07-03-2008 to 06-03-2018	2.23	8,136,292	—	—	(8,136,292)	—
					8,194,687	—	—	(8,194,687)	—
Consultants/advisors	10-04-2006	10-04-2006 to 10-04-2008	10-04-2006 to 09-04-2016	1.71	5,776,083	—	—	—	**5,776,083**
	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	3.42	2,937,268	—	—	—	**2,937,268**
	06-11-2007	01-01-2008 to 01-07-2009	06-11-2007 to 05-11-2017	3.46	5,839,500	—	—	—	**5,839,500**
	28-12-2007	07-03-2010 to 07-03-2011	07-03-2008 to 06-03-2018	2.23	7,410,676	—	—	—	**7,410,676**
					21,963,527	—	—	—	**21,963,527**
				TOTAL:	30,158,214	—	—	(8,194,687)	**21,963,527**
Exercisable at the end of the year									**21,963,527**
Weighted average exercise price (HK$)					2.49	—	—	—	**2.49**

40. SHARE-BASED PAYMENTS — CONTINUED

2014

Grantee	Date of grant	Vesting period	Exercisable period	Adjusted exercise price per share HK$ (Note 1)	Number of share options: At 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Adjusted during the year (Note 2)	At 31 December 2014
Former employees	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	3.42	1,000,000	—	—	—	(941,605)	58,395
	28-12-2007	07-03-2009 to 07-03-2010	07-03-2008 to 06-03-2018	2.23	139,332,000	—	—	—	(131,195,708)	8,136,292
					140,332,000	—	—	—	(132,137,313)	8,194,687
Consultants/advisors	24-05-2004	N/A* (Note 3)	24-05-2004 to 23-05-2014	0.10	42,632,000	—	—	(42,632,000)	—	—
	10-04-2006	10-04-2006 to 10-04-2008	10-04-2006 to 09-04-2016	1.71	98,914,000	—	—	—	(93,137,917)	5,776,083
	26-04-2007	26-04-2007 to 26-04-2009	26-04-2007 to 25-04-2017	3.42	50,300,000	—	—	—	(47,362,732)	2,937,268
	06-11-2007	01-01-2008 to 01-07-2009	06-11-2007 to 05-11-2017	3.46	100,000,000	—	—	—	(94,160,500)	5,839,500
	28-12-2007	07-03-2010 to 07-03-2011	07-03-2008 to 06-03-2018	2.23	126,906,000	—	—	—	(119,495,324)	7,410,676
					418,752,000	—	—	(42,632,000)	(354,156,473)	21,963,527
				TOTAL:	559,084,000	—	—	(42,632,000)	(486,293,786)	30,158,214
Exercisable at the end of the year										30,158,214
Weighted average exercise price (HK$)					0.142	—	—	0.100	—	2.49

Notes:

1. The exercise prices were adjusted pursuant to the share consolidation for 20 shares into 1 consolidated share and rights issue in 2014 except for the share options granted on 24 May 2004 and lapsed on 23 May 2014. For details, please refer to the Company's circular dated 13 May 2014 and the Company's announcement dated 9 October 2014 respectively.

2. The number of share options were adjusted by the share consolidation for 20 shares into 1 consolidated share of the Company and pursuant to the rights issue in 2014. For details, please refer to the Company's circular dated 13 May 2014 and Company's announcement dated 9 October 2014 respectively.

3. The share options granted were immediately vested at the date of granted or, for a grantee who is a director, at a later date in which the grantee become a director of the Company (as the case may be).

40. SHARE-BASED PAYMENTS — CONTINUED

2014 Share Option Scheme

The Company's share option scheme, which was adopted pursuant to a resolution passed on 12 June 2014 ("2014 Share Option Scheme") for the primary purpose of providing incentives to directors and eligible employees, will expire in June 2024. Under the 2014 Share Option Scheme, the board of directors of the Company may grant options to eligible persons to subscribe for shares in the Company.

At 31 December 2015, the adjusted number of shares in respect of which options was granted and remained outstanding under the 2014 Share Option Scheme was 170,295,954 (2014: 67,725,562), representing 6.5% (2014: 6.1%) of the shares of the Company in issue as at 31 December 2015. The total number of shares in respect of which options may be granted under the 2014 Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved by the Company's shareholders.

The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotation sheets) on the date on which the option is offered, which must be a business day; (ii) the average closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date as mentioned in (i) above.

Details of specific categories of options are as follows:

Date of grant	Exercise period	Exercise price	Fair value at grant date
		HK$	*HK$*
31 October 2014	From 31 October 2014 to 30 October 2016	0.34	0.1492
24 June 2015	From 24 June 2015 to 23 June 2017	0.28	0.1356

In accordance with the terms of the 2014 Share Option Scheme, options granted during the financial year ended 31 December 2015 and 2014 were vested at the date of grant.

The fair value of the share options granted on 24 June 2015 is determined using the Trinomial Options Pricing Model with the expected volatility which is based on the historical share price volatility over the past 2 years.

The fair value of the share options granted on 31 October 2014 is determined using the Black-Scholes Option Pricing Model with the expected volatility which is based on the historical share price volatility over the past 2 years.

40. SHARE-BASED PAYMENTS — CONTINUED

2014 Share Option Scheme — continued

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Inputs into the model

	Granted on 31 October 2014	Granted on 24 June 2015
Grant date share price	HK$0.34	HK$0.28
Exercise price	HK$0.34	HK$0.28
Expected volatility	82.01%	91.67%
Option life	2 years	2 years
Dividend yield	0.00%	0.00%
Risk-free interest rate	0.31%	0.39%

40. SHARE-BASED PAYMENTS — CONTINUED

The following table discloses movements of the Company's share options under 2014 Share Option Scheme during the years ended 31 December 2015 and 2014:

2015

				Number of share options				
Grantee	Date of grant	Exercisable period	Exercise price per share *HK$* (Note 1)	At 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2015
Directors	31-10-2014	31-10-2014 to 30-10-2016	0.34	14,899,622	—	—	(6,772,556)	**8,127,066**
	24-6-2015	24-6-2015 to 23-6-2017	0.28	—	19,319,035	—	—	**19,319,035**
Employees	31-10-2014	31-10-2014 to 30-10-2016	0.34	18,624,529	—	—	—	**18,624,529**
	24-6-2015	24-6-2015 to 23-6-2017	0.28	—	60,895,637	—	—	**60,895,637**
Consultants/advisors	31-10-2014	31-10-2014 to 30-10-2016	0.34	34,201,411	—	—	(2,370,395)	**31,831,016**
	24-6-2015	24-6-2015 to 23-6-2017	0.28	—	31,498,671	—	—	**31,498,671**
				67,725,562	111,713,343	—	(9,142,951)	**170,295,954**
Exercisable at the end of the year								**170,295,954**
Weighted average exercise price (HK$)				0.34	0.28	—	0.34	**0.30**

40. SHARE-BASED PAYMENTS — CONTINUED

2014

Grantee	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: At 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2014
Directors	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	14,899,622	—	—	14,899,622
Employees	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	18,624,529	—	—	18,624,529
Consultants/Advisors	31-10-2014	31-10-2014 to 30-10-2016	0.34	—	34,201,411	—	—	34,201,411
				—	67,725,562	—	—	67,725,562
Exercisable at the end of the year								67,725,562
Weighted average exercise price (HK$)				—	0.34	—	—	0.34

The Group recognised total expenses of HK$15,148,000 (2014: HK$10,109,000) related to equity-settled share-based payment transactions during the year.

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES

(a) On 3 March 2015, the Company acquired 100% issued share capital of Jade Metro Limited ("Jade Metro") at a consideration of US$1. Jade Metro is principally engaged in investment holding. The consideration of US$1 was paid by cash.

The acquisition of Jade Metro did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Non-current assets	
Available-for-sale financial assets	33,053
Current liabilities	
Other payables	(33,053)
Total consideration	—
Satisfied by:	
Cash	—
Net cash outflow on acquisition of assets through acquisition of a subsidiary:	
Consideration paid by cash	—
Less: Cash and cash equivalents acquired	—
	—

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(b) On 23 April 2015, the Company acquired 55% issued share capital of Mega Fitness (Shanghai) Investments Limited ("Mega Fitness") at a consideration of HK$24,000,000. Mega Fitness is principally engaged in investment holding. Its subsidiaries are principally engaged in operating a chain of sports and healthcare clubhouses in the PRC.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	Carrying amount *HK$'000*	**Fair value adjustment** *HK$'000*	**Fair value** *HK$'000*
Non-current assets			
Property, plant and equipment	18,802	—	18,802
Intangible assets	—	2,847	2,847
Current assets			
Inventories	1,240	—	1,240
Trade receivables	1,115	—	1,115
Other receivables, prepayment and deposits	6,623	—	6,623
Amounts due from non-controlling interests	1,792	—	1,792
Amounts due from related companies	2,242	—	2,242
Cash and bank balances	13,822	—	13,822
Current liabilities			
Trade and other payables	(16,675)	—	(16,675)
Receipts in advance	(87,375)	—	(87,375)
Amounts due to related companies	(2,257)	—	(2,257)
Non-current liabilities			
Deferred taxation	—	(711)	(711)
Net liabilities	(60,671)	2,136	(58,535)
55% of net liabilities acquired			(32,194)
Goodwill arising on acquisition			56,194
Total consideration			24,000

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(b) (continued)

Consideration transferred

	HK$'000
Cash	24,000
Net cash outflow on acquisition of subsidiaries:	
Consideration paid by cash	(24,000)
Less: Cash and cash equivalents acquired	13,822
	(10,178)

Acquisition-related costs amounting to approximately HK$1,464,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Goodwill arose in the acquisition of Mega Fitness because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies and revenue growth of Mega Fitness. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Included in the loss for the year is approximately HK$1,778,000 attributable to the Group from Mega Fitness. Revenue of approximately HK$86,035,000 was generated from Mega Fitness during the year after the acquisition.

Had the business combinations been effected from 1 January 2015, the revenue of the Group would have been approximately HK$158,600,000, and the loss for the year would have been approximately HK$371,681,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(c) On 20 May 2015, the Company acquired the remaining 50% issued share capital of Golden Times Management Limited ("Golden Times") at a consideration of HK$3,500,000. Golden Times is principally engaged in investment holding. Its subsidiaries are principally engaged in property investment. The consideration of HK$3,500,000 was paid by cash.

The acquisition of Golden Times did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value
	HK'000
Non-current assets	
Investment properties	148,262
Current assets	
Other receivables, prepayment and deposit	17
Cash and bank balance	28
Current liabilities	
Trade and other payables	(362)
Amount due to related companies	(67,512)
Amount due to a director	(11,515)
Borrowings	(59,000)
	9,918
Fair value of previous held interest	6,418
Cash consideration paid	3,500
Total consideration	9,918
Less: Net assets acquired	(9,918)
Net cash flow on acquisition of assets:	
Consideration paid by cash	(3,500)
Less: Cash and cash equivalent acquired	28
	(3,472)

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(d) On 31 December 2015, the Company acquired 100% issued share capital of Capital Alliance Group Limited ("Capital Alliance") at a consideration of HK$19,000. Capital Alliance is principally engaged in investment holding. The consideration of HK$19,000 was paid by cash.

The acquisition of Capital Alliance did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Non-current assets	
Available-for-sale financial assets	55,898
Current assets	
Cash and bank balances	8
Current liabilities	
Other payables	(1,207)
Borrowings	(54,680)
Total consideration	19
Satisfied by:	
Cash	19
Net cash outflow on acquisition of assets through acquisition of a subsidiary:	
Consideration paid by cash	(19)
Less: Cash and cash equivalents acquired	8
	(11)

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(e) On 17 October 2014, the Company acquired 100% issued share capital of Landmass Investments Limited ("Landmass") at a consideration of HK$887,000. Landmass is principally engaged in investment holding. The consideration of HK$887,000 was payable by cash.

The acquisition of Landmass did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Non-current assets	
Available-for-sale financial assets	33,600
Current liabilities	
Borrowings	(32,200)
Interest payable	(513)
Total consideration	887
Satisfied by:	
Cash	887
Net cash outflow on acquisition of a subsidiary:	
Consideration paid by cash	(887)
Less: Cash and cash equivalents acquired	—
	(887)

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(f) On 26 November 2014, the Company acquired 100% issued share capital of Commerce Sea Global Investment Limited ("Commerce Sea") at a consideration of HK$2,400,000. Commerce Sea is principally engaged in investment holding. Its subsidiaries are principally engaged in property and securities investments. The consideration of HK$2,400,000 was paid by cash.

The acquisition of Commerce Sea did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Non-current assets	
Investment properties	41,315
Current assets	
Available-for-sale financial assets	385
Current liabilities	
Amount due to a director	(20,920)
Borrowings	(17,800)
Interest payable	(580)
Total consideration	2,400
Satisfied by:	
Cash	2,400
Net cash outflow on acquisition of a subsidiary:	
Consideration paid by cash	(2,400)
Less: Cash and cash equivalents acquired	—
	(2,400)

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(g) On 27 November 2014, the Company acquired 52% issued share capital of Hong Kong Optical Co., Limited ("Hong Kong Optical") at a consideration of HK$2,540,000. Hong Kong Optical is principally engaged in trading of optical products. The consideration of HK$2,540,000 was paid by cash.

Carrying amounts and fair values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Non-current assets	
Property, plant and equipment	675
Current assets	
Inventories	5,824
Trade receivables	425
Other receivables, prepayment and deposits	4,309
Cash and bank balances	2,812
Current liabilities	
Trade and other payables	(12,512)
Borrowings	(1,094)
Loans from shareholders	(4,500)
Non-current liabilities	
Borrowings	(753)
Net liabilities	(4,814)
52% of net liabilities acquired	(2,503)
Goodwill arising on acquisition of a subsidiary	5,043
Total consideration	2,540
Satisfied by:	
Cash	2,540
Net cash inflow on acquisition of a subsidiary:	
Consideration paid by cash	(2,540)
Less: Cash and cash equivalents acquired	2,812
	272

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES/ACQUISITION OF SUBSIDIARIES — CONTINUED

(g) (continued)

The Group explores new business opportunities to broaden its source of income and expand the business in order to maximise the profit and return for the Group and the shareholders.

Goodwill arose in the acquisition of Hong Kong Optical because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies and revenue growth of Hong Kong Optical. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Included in the loss for the year ended 31 December 2014 is HK$91,000 attributable to the Group from Hong Kong Optical. Revenue of approximately HK$2,390,000 was generated from Hong Kong Optical during the year ended 31 December 2014 after the acquisition.

Had the business combinations been effected from 1 January 2014, the revenue of the Group would have been HK$116,835,000, and the loss for the year ended 31 December 2014 would have been HK$43,326,000. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

42. DISPOSAL OF A SUBSIDIARY

On 24 February 2014, the Group disposed of its 62% equity interests in Wuhu Puwei Medical Investment Management Co., Limited ("Wuhu Puwei"). The Group transferred its equity interest in Wuhu Puwei not yet paid-up, which is amounted to approximately HK$38,062,000 as at disposal date to the purchaser of Wuhu Puwei as consideration of disposal.

Analysis of assets and liabilities over which control was lost

	HK$'000
Current assets	
Other receivables, prepayments and deposits	23,970
Amount due from an immediate holding company	40,025
Amount due from a non-controlling shareholder	5,664
Cash and bank balances	111
Net assets disposed of	69,770
Consideration	38,062
Net assets disposed of	(69,770)
Non-controlling interests derecognised	31,677
Cumulative exchange gain in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	1,335
Gain on disposal (Note 9)	1,304
Net cash outflow on disposal of a subsidiary:	
Consideration received in cash and cash equivalents	—
Less: Cash and cash equivalents balances disposed of	(111)
	(111)

43. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases:

	2015	2014
	HK$'000	*HK$'000*
Premises	**23,483**	3,186
Servicing contracts for medical equipment	**—**	7,295
	23,483	10,481

At the end of reporting period, the Group had outstanding commitments payable under non-cancellable operating leases which fall due as follows:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**33,497**	6,512
In the second to fifth years inclusive	**83,085**	5,543
More than five years	**10,796**	—
	127,378	12,055

Operating lease payment represents rentals and servicing fee payable by the Group for its office premises and medical equipment respectively. Lease terms ranged from one to five years with fixed rental.

The Group as lessor

At the end of reporting period, the Group contracted with certain medical centres for the leasing of medical equipment (included in property, plant and equipment) with the majority of the lease period up to 31 December 2022 (2014: 31 December 2022). The leasing income to be received by the Group is based on specific percentages of the net income of the medical centres as stipulated in the respective contracts.

44. PENSION/RETIREMENT BENEFITS SCHEME

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to contribute 5% of the employee's basic monthly salary which is capped at HK$1,000 per month before June 2012, HK$1,250 per month between June 2012 and May 2014 and HK$1,500 per month with effect from 1 June 2014. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

The Group also participates in the employee pension schemes of the respective municipal government in various places in the PRC where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly payroll costs to these schemes and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. The Group's contributions to these PRC contribution schemes are expensed as incurred.

The total cost recognised in profit or loss of approximately HK$1,770,000 (2014: HK$1,064,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. At the end of reporting period, no contribution due in respect of the reporting period had not been paid over to the schemes.

45. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the years ended 31 December 2015 and 2014 the Group had entered into the following material related party transactions:

(a) In February 2014, the Company issued a promissory note with a principal amount of HK$60,240,000 to Green Zone Capital Limited ("Green Zone") for satisfying the consideration payable for acquisition of 38% of the issued share capital of Redsun Developments Limited. Mr. Chan Ka Chung ("Mr. Chan") is a beneficial owner of Green Zone. During the year ended 31 December 2015 and 2014, the Company had repaid promissory note with a principal amount of HK$10,240,000 and HK$50,000,000 to Green Zone respectively.

(b) On 10 March 2014, the Company issued a total of 2,700,000,000 unlisted warrants to Wisdom Phoenix Limited ("the Subscriber") under two tranches (i.e. 1,350,000,000 warrants each) at the exercise price of HK$0.022 and HK$0.05 respectively. Mr. Chan is a beneficial owner of the Subscriber.

45. MATERIAL RELATED PARTY TRANSACTIONS — CONTINUED

(c) On 29 August 2014, the Company received the subscription form executed and submitted by Mr. Chan, an executive director of the Company and the ultimate beneficial owner of the Subscriber, for exercise of all of the subscription rights under the Tranche One Warrants. The Company received payment of HK$29,700,000 from Mr. Chan and allotted and issue a total of 67,500,000 warrant shares to Mr. Chan and his wholly-owned company at the exercise price of HK$0.44 per warrant share on 1 September 2014.

(d) On 31 October 2014, the Company offered to grant share options (the "Share Options") under its share option scheme adopted on 12 June 2014 (pursuant to a resolution approved by the shareholders in the general meeting held on the same date) to certain directors, employees and consultants of the Company to subscribe for a total of 67,725,562 new shares of the Company.

(e) On 26 November 2014, the Company as the purchaser entered into the acquisition agreement with Mr. Chan as the vendor for the acquisition by the Company of the entire equity interest of Commerce Sea Global Investment Limited at the consideration of HK$2,400,000 payable by the Company to Mr. Chan in cash as detailed in the announcement dated 26 November 2014.

(f) On 20 May 2015, Commerce Sea Global Investment Limited ("Commerce Sea"), a wholly-owned subsidiary of the Company, as the purchaser entered into the acquisition agreement with Mr. Chan as the vendor for the acquisition by Commerce Sea of the 50% equity interests of Golden Times Management Limited at the consideration of HK$3,500,000 payable by Commerce Sea to Mr. Chan in cash.

(g) On 24 June 2015, the Company offered to grant share options under its share option scheme adopted on 12 June 2014 to certain directors, employees and consultants of the Company to subscribe for a total of 111,713,374 new shares of the Company.

(h) Members of key management personnel during the year comprised only of the directors whose remuneration is set out in Note 13.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2015	2014	**2015**	2014	
China Renji Medical (BVI) Limited	British Virgin Islands	1 ordinary share of US$1 each	**100%**	100%	**—**	—	Investment holding
Treasure Link Ventures Limited	British Virgin Islands	100 ordinary shares of US$1 each	**—**	—	**45%**	—	Investment holding
Anping Medical Treatment Technology (Wuhu) Co., Limited	PRC	Registered capital of RMB246,200,000	**—**	—	**100%**	100%	Leasing of medical equipment and provision of services on operations of medical equipment
Wuhu Anping Medical Management Co., Limited	PRC	Registered capital of RMB15,000,000	**—**	—	**100%**	100%	Leasing of medical equipment and provision of services on operations of medical equipment
Tianjin Anping Medical Management Co., Limited	PRC	Registered capital of RMB4,000,000	**—**	—	**100%**	100%	Leasing of medical equipment and provision of services on operations of medical equipment
Hong Kong Optical Co., Limited	Hong Kong	HK$5,000,000	**—**	—	**52%**	52%	Trading of optical products
上海創逸健身發展有限公司	PRC	Registered capital of USD300,000	**—**	—	**100%**	—	Provision of leisure fitness clubhouse services and fitness training courses
北京美格菲健身有限公司	PRC	Registered capital of RMB1,000,000	**—**	—	**65%**	—	Provision of leisure fitness clubhouse services and fitness training courses
上海美格菲健身中心有限公司	PRC	Registered capital of RMB1,000,000	**—**	—	**100%**	—	Provision of leisure fitness clubhouse services and fitness training courses
Natural Well Limited	Hong Kong	HK$1	**—**	—	**100%**	100%	Property investment
Bright Choice Investments Limited	Hong Kong	HK$100	**—**	—	**100%**	—	Property investment
Landmass Investments Limited	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	100%	**—**	—	Investment holding
Jade Metro Limited	Samoa	1 ordinary share of US$1 each	**100%**	—	**—**	—	Investment holding
Capital Alliance Group Limited	Anguilla	100 ordinary shares of US$1 each	**100%**	—	**—**	—	Investment holding

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(a) General information of subsidiaries — continued

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

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

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation/	Proportion of ownership interests and voting power held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015**	2014	**2015**	2014
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Wintin International Limited	British Virgin Islands	**55%**	55%	**(33,767)**	19,362	**95,878**	137,119
Treasure Link Ventures Limited	British Virgin Islands	**55%**	—	**110,524**	—	**110,524**	—
Hong Kong Optical Co., Limited	Hong Kong	**48%**	48%	**(3,291)**	(44)	**(5,645)**	(2,355)
New Health Elite International Limited	British Virgin Islands	**23%**	—	**(1,636)**	—	**(27,333)**	—
				71,830	19,318	**173,424**	134,764

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

Wintin International Limited

	2015	2014
	HK$'000	*HK$'000*
Current assets	**139,348**	183,589
Non-current assets	**99,272**	404,593
Current liabilities	**(161,579)**	(427,162)
Net assets	**77,041**	161,020
Revenue	**9,744**	100,825
Expenses	**(65,230)**	(43,640)
(Loss)/profit for the year	**(55,486)**	57,185
(Loss)/profit for the year attributable to:		
Owners of the Company	**(21,719)**	37,823
Non-controlling interests	**(33,767)**	19,362
(Loss)/profit for the year	**(55,486)**	57,185
Other comprehensive loss attributable to:		
Owners of the Company	**(10,164)**	(2,012)
Non-controlling interests	**(12,422)**	(2,956)
Other comprehensive loss for the year	**(22,586)**	(4,968)
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(31,883)**	35,811
Non-controlling interests	**(46,189)**	16,406
Other comprehensive loss for the year	**(78,072)**	52,217
Net cash outflow from operating activities	**(11,945)**	(318)
Net cash outflow from investing activities	**(66)**	(33,379)
Net cash outflow	**(12,011)**	(33,697)

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

Treasure Link Ventures Limited

	2015	2014
	HK$'000	*HK$'000*
Current assets	**—**	—
Non-current assets	**267,948**	—
Current liabilities	**(66,995)**	—
Net assets	**200,953**	—
Revenue	**268,525**	—
Expenses	**(67,572)**	—
Profit and total comprehensive income for the year	**200,953**	—
Profit and total comprehensive income attributable to:		
Owners of the Company	**90,429**	—
Non-controlling interests	**110,524**	—
Profit and total comprehensive income for the year	**200,953**	—
Net cash inflow from operating activities	**—**	—
Net cash outflow from investing activities	**—**	—
Net cash inflow	**—**	—

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

Hong Kong Optical Co., Limited

	2015	2014
	HK$'000	*HK$'000*
Current assets	**25,028**	16,295
Non-current assets	**3,335**	649
Current liabilities	**(40,123)**	(20,999)
Non-current liabilities	**—**	(850)
Net liabilities	**(11,760)**	(4,905)
Revenue	**36,503**	2,479
Expenses	**(43,359)**	(2,570)
Loss and total comprehensive loss for the year	**(6,856)**	(91)
Loss and total comprehensive loss attributable to:		
Owners of the Company	**(3,565)**	(47)
Non-controlling interests	**(3,291)**	(44)
Loss and total comprehensive loss for the year	**(6,856)**	(91)
Net cash inflow from operating activities	**5,560**	17
Net cash outflow from investing activities	**(3,532)**	(5)
Net cash outflow from financing activities	**—**	—
Net cash inflow	**2,028**	12

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES — CONTINUED

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests — continued

New Health Elite International Limited

	2015	2014
	HK$'000	*HK$'000*
Current assets	**39,768**	—
Non-current assets	**75,317**	—
Current liabilities	**(129,871)**	—
Non-current liabilities	**(7,636)**	—
Net assets	**(22,422)**	—
Revenue	**86,035**	—
Expenses	**(89,836)**	—
Loss for the year	**(3,801)**	—
Loss attributable to:		
Owners of the Company	**(2,165)**	—
Non-controlling interests	**(1,636)**	—
Loss for the year	**(3,801)**	—
Other comprehensive loss attributable to:		
Owners of the Company	**(773)**	—
Non-controlling interests	**(632)**	—
Other comprehensive loss for the year	**(1,405)**	—
Loss and total comprehensive loss attributable to:		
Owners of the Company	**(2,938)**	—
Non-controlling interests	**(2,268)**	—
Loss and total comprehensive loss for the year	**(5,206)**	—
Net cash outflow from operating activities	**(2,419)**	—
Net cash inflow from investing activities	**7,116**	—
Net cash inflow	**4,697**	—

47. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY WITHOUT LOSING CONTROL

On 1 December 2014, China Renji Medical (BVI) Limited, a subsidiary of the Company, disposed 20% of the entire issued share capital of Wintin International Limited and its subsidiaries ("Wintin Group") for a total consideration of HK$32,240,000 (the "Disposal of Partial Interest"). Upon completion of the Disposal of Partial Interest, and based on the consideration of HK$32,240,000 the Group recognised non-controlling interest of approximately HK$28,134,000 and the exchange translation reserve attributable to non-controlling interest of approximately HK$32,607,000 in a sum of approximately HK$4,473,000 was charged to equity directly.

On 22 April 2015, New Health Elite International Limited ("New Health"), a subsidiary of the Company, allotted 23 shares to Silver Wisdom Development Limited for a total consideration of HK$4,830,000 (the "Allotment of Shares"). Upon completion of the Allotment of Shares, the Group's shareholdings in New Health was diluted and decreased from 100% to 77% without loss of control and based on the consideration of HK$4,830,000, the Group recognised non-controlling interests of approximately HK$806,000 and approximately HK$4,024,000 was charged to equity directly.

48. NON-CASH TRANSACTIONS

The Group entered into the following non-cash activities which are not reflected in the consolidated statement of cash flows:

(a) There is interest payable of approximately HK$3,094,000 (2014: HK$1,898,000) which were included in other payables and accruals of the Group as at 31 December 2015.

(b) The consideration payable of HK$60,240,000 for the acquisition of 38% of the issued share capital of Redsun Developments Limited was satisfied by issue of a promissory note with a principal amount of HK$60,240,000 in February 2014.

49. COMPARATIVE FINANCIAL INFORMATION

Certain comparative figures have been reclassified to conform with current year's presentation.

50. EVENTS AFTER THE REPORTING PERIOD

(a) On 9 September 2015, the Company entered into the equity credit facility agreement (the "Equity Credit Facility Agreement") with the credit facility provider (the "Credit Facility Provider") for the granting of the credit facility (the "Credit Facility"). Under the Equity Credit Facility Agreement, the credit facility provider has agreed to grant to the Company the put option which entitles the Company the right to drawdown the credit facility during the put option exercise period and the Company has agreed to grant the Credit Facility Provider the call option which entitles the Credit Facility Provider to require the Company to drawdown the Credit Facility during the call option exercise period. The Company shall obtain the Credit Facility through the issuance of (i) the option shares or (ii) the convertible bonds or (iii) the combination of the above, at the sole discretion of the Company (when the put option is exercised) or the Credit Facility Provider (when the call option is exercised). Up to the date of this annual report, the Equity Credit Facility Agreement has not yet completed. For details, please refer to the Company's announcement dated 9 September 2015, 15 October 2015, 30 November 2015 and 29 January 2016 respectively.

50. EVENTS AFTER THE REPORTING PERIOD — CONTINUED

(b) On 29 January 2016, the Company entered into the subscription agreement, pursuant to which the Company shall invest HK$55 million in the CCE Capital ("the Investment Fund"). The Investment Fund is established for exploration of investment opportunities in the Greater China Region and intends to invest in businesses in the healthcare and related industries. Up to the date of this annual report, the subscription was completed. For details, please refer to the Company's announcement dated 29 January 2016.

(c) On 5 February 2016, the Company proposed to the board of directors of Rui Kang Pharmaceutical Group Investments Limited ("Rui Kang") that the Company will make voluntary conditional securities exchange offers (i) to acquire all of the issued shares in the share capital of Rui Kang (other than those already owned by China Wah Yan and parties acting in concert with it); and (ii) to cancel all of the outstanding Options. For details, please refer to the Company's announcement dated 17 February 2017.

(d) On 16 February 2016, a wholly-owned subsidiary of the Company ("the Vendor") and the purchaser entered into the disposal agreement (the "Disposal Agreement"), pursuant to which the Vendor agreed to dispose of and assign and the purchaser agreed to acquire and accept the 19 shares of Golden Oasis Health Limited (the "Target Company"), representing 19% equity interest of the Target Company and the loan owed by the Target Company to the Vendor based on the equity interest in the Target Company disposed of by the Vendor for a cash consideration of HK$6.65 million. The Target Company and its subsidiaries is principally engaged in the management and operation of a chain of sports and healthcare clubhouses under the brand name of "MegaFit" in the PRC. Following completion of the Disposal Agreement, the Target Company will remain as a non-wholly owned subsidiary of the Company. For details, please refer to the Company's announcement dated 16 February 2016.

(e) On 18 February 2016, the Company as the issuer and Convoy Asset Management Limited as the bond placing agent (the "Bond Placing Agent"), entered into a bond placing agreement, pursuant to which the Bond Placing Agent agreed to, on a best effort basis, procure placees who are not a connected person Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited of the Company to subscribe for bonds due 2017 (the "Bonds") to be issued by the Company in the principal amount of up to HK$100 million at the bond placing price representing 100% of the principal amount of the Bonds. The Bonds shall mature on the first anniversary of the date of issuance and shall bear an annual coupon rate of 7%. For details, please refer to the Company's announcement dated 18 February 2016.

(f) On 24 February 2016, the Company has signed and provided the Undertaking to IR Resources Limited ("IR Resources") and the IR Resources Underwriter, pursuant to which the Company has irrevocably undertaken that it will subscribe for 7,100,000,000 IR Resources Rights Shares to be provisionally allotted to the Company as a shareholder of IR Resources under the IR Resources Rights Issue for a consideration of approximately HK$71 million. The IR Resources Rights Issue is conditional upon, among others, the IR Capital Reorganization becoming effective. Upon completion of the IR Resources Rights Issue and taking into account of the Undertaking, the Company will remain as its single largest shareholder and beneficially own 7,868,698,967 IR Resources New Shares, representing approximately 27.3% of the enlarged issued share capital of IR Resources. For details, please refer to the Company's announcement dated 24 February 2016.

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	998	1,233
Investments in subsidiaries	2,419	2,401
Amounts due from subsidiaries	381,127	283,368
Available-for-sale financial assets	29,391	—
Long-term prepayments and deposits	2,444	2,944
	416,379	289,946
Current assets		
Available-for-sale financial assets	820	820
Other receivables, prepayments and deposits	3,017	10,338
Financial assets at fair value through profit or loss	75,584	38,033
Amount due from a joint venture	—	848
Cash and bank balances	49,449	122,950
	128,870	172,989
Current liabilities		
Other payables and accruals	18,472	20,781
Amounts due to subsidiaries	18,048	13,251
Borrowings	55,155	52,000
Convertible bonds	—	43,227
	91,675	129,259
Net current assets	37,195	43,730
Total assets less current liabilities	453,574	333,676

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY — CONTINUED

	2015	2014
	HK$'000	*HK$'000*
Non-current liabilities		
Borrowings	**67,684**	67,968
Convertible notes	**1,963**	1,937
Bond payable	**96,828**	20,018
Promissory note	**—**	9,922
Deferred tax liabilities	**6**	30
	166,481	99,875
Net assets	**287,093**	233,801
CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		
Share capital	**2,757,283**	2,464,228
Reserves	**(2,470,190)**	(2,230,427)
Total equity	**287,093**	233,801

The Company's statement of financial position was approved and authorised for issue by the board of directors on 15 March 2016 and are signed on its behalf by:

CHAN KA CHUNG
Director

WANG JIANGUO
Director

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY — CONTINUED

Movements in the Company's reserves

	Share premium	Capital redemption reserve	Share option reserve	Equity component of convertible bonds/notes	Warrant reserves	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	981,851	1,899	35,415	—	—	(2,176,401)	(1,157,236)
Loss and total comprehensive loss for the year	—	—	—	—	—	(99,973)	(99,973)
Transfer from share premium and capital redemption reserve to share capital upon abolition of par value	(981,851)	(1,899)	—	—	—	—	(983,750)
Issue of unlisted warrants	—	—	—	—	540	—	540
Expenses in relation to issue of unlisted warrants	—	—	—	—	(182)	—	(182)
Issue of convertible notes/bonds	—	—	—	547	—	—	547
Deferred tax liability arising on issue of convertible notes/bonds	—	—	—	(90)	—	—	(90)
Redemption of convertible notes	—	—	—	(272)	—	59	(213)
Issue of shares pursuant to exercise of unlisted warrants	—	—	—	—	(179)	—	(179)
Recognition of share-based Payments	—	—	10,109	—	—	—	10,109
At 31 December 2014 and 1 January 2015	**—**	**—**	**45,524**	**185**	**179**	**(2,276,315)**	**(2,230,427)**
Loss and total comprehensive loss for the year	**—**	**—**	**—**	**—**	**—**	**(323,410)**	**(323,410)**
Issue of convertible bonds	**—**	**—**	**—**	**176**	**—**	**—**	**176**
Extinguishment of convertible bonds	**—**	**—**	**—**	**(294)**	**—**	**294**	**—**
Recognition of convertible bonds upon modification	**—**	**—**	**—**	**155,012**	**—**	**—**	**155,012**
Issue of shares pursuant to conversion of convertible bonds	**—**	**—**	**—**	**(155,012)**	**—**	**68,323**	**(86,689)**
Recognition of equity-settled share-based payments	**—**	**—**	**15,148**	**—**	**—**	**—**	**15,148**
Lapse of share options	**—**	**—**	**(1,364)**	**—**	**—**	**1,364**	**—**
At 31 December 2015	**—**	**—**	**59,308**	**67**	**179**	**(2,529,744)**	**(2,470,190)**

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 March 2016.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	152,302	134,438	110,957	85,385	**127,236**
(Loss)/profit before taxation	(265,504)	56,970	(109,043)	(39,500)	**(358,826)**
Income tax	(1,385)	4,291	(7,452)	(2,320)	**(5,847)**
(Loss)/profit for the year	(266,889)	61,261	(116,495)	(41,820)	**(364,673)**
(Loss)/profit attributable to:					
— Owners of the Company	(266,889)	61,261	(122,665)	(61,138)	**(436,503)**
— Non-controlling interests	—	—	6,170	19,318	**71,830**
	(266,889)	61,261	(116,495)	(41,820)	**(364,673)**

ASSETS AND LIABILITIES

	As at 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	598,081	668,116	695,242	903,489	**1,094,006**
Total liabilities	(163,646)	(141,316)	(196,928)	(316,272)	**(542,392)**
Net assets	434,435	526,800	498,314	587,217	**551,614**
Equity attributable to owners of the Company	434,435	526,800	408,573	452,453	**378,190**
Non-controlling interests	—	—	89,741	134,764	**173,424**
	434,435	526,800	498,314	587,217	**551,614**