南海控股
NAN HAI CORPORATION LIMITED

Nan Hai Corporation Limited
南海控股有限公司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock Code 股份代號：680

2015
Annual Report 年報

Contents

About Nan Hai

Nan Hai Corporation Limited ("Nan Hai") (the "Company"), a corporation listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 680). The Company continued to engage in three main businesses, namely culture and media, property development and corporate IT application services, and made certain achievements through Dadi Media (HK) Limited together with its subsidiaries, Dadi Cinema Investment Limited together with its subsidiaries (collectively as "Dadi Media"), Nan Hai Development Limited together with its subsidiaries (collectively as "Nan Hai Development") and Sino-i Technology Limited together with its subsidiaries (collectively as "Sino-i", stock code: 250). As for culture and media, in the past decade, taking the investment in establishing chain cinemas as a starting point, Dadi Media became one of the leading enterprises in the film industry by gradually expanding to the upstream of film industry chain on the basis of building a strong downstream platform. As for property development, high-end sea view residences of The Peninsula, the flagship project, with an area of approximately 185,000 sq.m. is expected for pre-sales during the second quarter of 2016. As for corporate IT application services, in the past decade, Sino-i remained adamant about providing corporate IT application services for Small and Medium Enterprises ("SMEs") in the PRC and striving for development of information technology, and has successfully established a second-to-none national business and services network in the industry. In the meantime, for the purpose of its long term development, in 2015, the Company started to tap into new business segments such as "New Media" and "Innovative Business" by means of mergers and acquisitions and new incorporation. In 2016, in addition to consolidating its existing three businesses to achieve more outstanding performance, it is expected that the Group will continue to sow seeds in the businesses of "New Media" and "Innovative Business" in the coming year, sparing no effort to make them as the fourth and fifth business segments of the Group within two to three years.

Corporate Information

DIRECTORS

Executive
Mr. Yu Pun Hoi *(Chairman)*
Ms. Chen Dan
Ms. Liu Rong

Non-executive
Mr. Wang Gang
Mr. Lam Bing Kwan

Independent Non-executive
Prof. Jiang Ping
Mr. Lau Yip Leung

COMPANY SECRETARY

Mr. Chiu Ming King

AUDITOR

BDO Limited
Certified Public Accountants
Hong Kong

BERMUDA LEGAL ADVISER

Appleby

HONG KONG LEGAL ADVISER

Gerry K.C. Wai & Co., Solicitors

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

12/F., The Octagon
No.6 Sha Tsui Road
Tsuen Wan
New Territories
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

680

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE

http://www.nanhaicorp.com

Chairman's Statement

Chairman's Statement

On behalf of the board of directors (the "Board") of the Company, I present to the shareholders the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

In 2015, in the face of complicated international situation and increasing downward pressure on economy, the overall Chinese economy has maintained a stable yet progressive development trend. Although the annual gross domestic product ("GDP") only increased by 6.9% year-on-year, the decrease in growth indicated the significant acceleration in pace and momentum of adjustment and upgrading of industrial structure and consumption structure. Due to the rapid increase in consumption's contribution to economic growth, economic growth is shifting from mainly driven by investment and export demand to balanced driven by "three driving forces", namely consumption, investment and export demand.

Benefited from the business segment of culture and media and in particular driven by the rapid growth of cinema business, turnover of the Group for the year increased by approximately 33.2% to HK$4,200.1 million (2014: HK$3,153.0 million). Net profit attributable to the owners of the Company was approximately HK$238.9 million (2014: net loss of HK$701.7 million), successfully achieving a turnaround in its performance. The increase in profit was mainly attributable to the combined effects of improvement in profit driven by the increase in revenue, the gain arising from the disposal of 20% equity interest in 龍芯中科技術有限公司 (Loongson Technology Co., Ltd), an associate held by the Group, (details of which were set out in the announcement issued by the Company on 29 January 2015) as well as a gain arising from the changes in fair values of investment properties.

During the year, the Group continued to engage in three main businesses, namely culture and media, property development and corporate IT application services, and made certain achievements through Dadi Media, Nan Hai Development and Sino-i. In the meantime, for the purpose of its long term development, the Company started to tap into new business segments such as "New Media" and "Innovative Business" by means of mergers and acquisitions and new incorporation. In addition to consolidating its existing three businesses to achieve more outstanding performance, it is expected that the Group will continue to sow seeds in the businesses of "New Media" and "Innovative Business" in the following two to three years, sparing no effort to make them as the fourth and fifth business segments of the Group within two to three years.

Chairman's Statement

CULTURE AND MEDIA

In the past decade, taking the investment in establishing chain cinemas as a starting point through Dadi Media, the Group became one of the leading enterprises in the film industry by gradually expanding to the upstream of film industry chain on the basis of building a strong downstream platform. During the year, thanks to the sustained and rapid development of the Chinese film industry, culture and media segment continued to attain encouraging results. Turnover for this segment for the year witnessed an increase of 43.3% to approximately HK$3,153.0 million (2014: HK$2,200.0 million). Net profit before income tax was approximately HK$230.5 million (2014: net loss before income tax of HK$259.3 million).

Dadi Cinema

During the year, 廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited) and its subsidiaries (collectively as "Dadi Cinema") continued to uphold the mission of "let everyone watch movies and let everyone enjoy good movies". By actively seizing the critical period of rapid development of the Chinese film industry, the Group continued to expand its presence in various second, third and fourth tier cities and tap into first tier cities in the PRC. In addition to rapidly expanding its market coverage, Dadi Cinema continued to strengthen its cooperation with well-known commercial real estate developers to continuously improve the quality of its projects. By implementing its informatization and standardization strategies, Dadi Cinema further improved its operational efficiency, enhanced service quality and achieved cost efficiency. By strengthening the contribution to e-commerce platform and construction of membership system, Dadi Cinema initiated "Film+" mode to enter a strategic development period of film ecosystem operation focusing on "movie culture groups", creating its unique and pioneering business model.

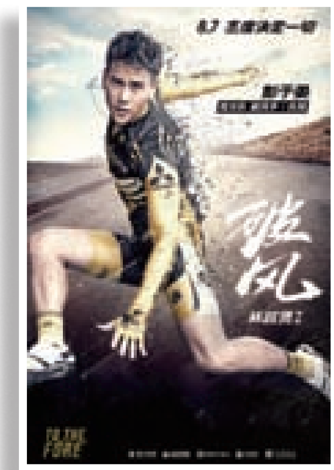
Along with the box office of the PRC broke through RMB40 billion, Dadi Cinema's previous expansion strategies in second, third and fourth tier cities achieved fruitful results. During the year, Dadi Cinema achieved another record high admission of 71.58 million audiences with its box office before tax amounting to approximately RMB2.21 billion, representing an increase of approximately 46.7% over the corresponding period last year, which accounted for approximately 5.0% of the national box office, ranking second among cinema investment management companies throughout China. Over the just-concluded Chinese New Year holidays in 2016, Dadi Cinema's average attendance rate was approximately 51.7% with box office before tax of approximately RMB199 million, representing an increase of approximately 94.3% over the corresponding period last year, which accounted for 6.6% of the national box office.

In the meantime, with its well-established and extensive terminal network, strong fundamental platform and expansion capacity, extensive chain operating experience in the mainland China market, as well as the massive movie-going crowd, i.e. "movie culture groups", accumulated over the years, Dadi Cinema laid a solid foundation for the Group's expansion into "Innovative Business".

Chairman's Statement

Dadi Distribution

Leveraging on Dadi Cinema's extensive downstream terminal network and massive movie-going crowd, and booming of the Chinese film industry, Dadi Media's film distribution business in the upstream industry chain achieved good results. During the year, 大地時代電影發行（北京）有限公司 (Dadi Century Film Distribution (Beijing) Co. Ltd.) ("Dadi Distribution"), a subsidiary of Dadi Media, continued to enhance its professional capability of distribution as well as actively expanded its businesses through external cooperation. Several films were released by Dadi Distribution as the lead or one of the joint distributors with other renowned distributors during the year. "Two Thumbs Up" (《衝鋒車》), which was jointly released with EMP Distribution (Beijing) Limited and 北京聚合影聯文化傳媒有限公司 (Beijing Juhe Yinglian Media Co.,Ltd), recorded a box office of approximately RMB20.92 million. "To the Fore" (《破風》), a film about the fiery hot-blooded youth, which was jointly distributed with EMP Distribution (Beijing) Limited and other partners, recorded a box office of RMB145 million. In the meantime, Dadi Distribution has been actively seeking for cooperation opportunities. In 2014, it joined hands with 萬達影視傳媒有限公司 (Wanda Media Co., Ltd.), 廣州金逸影視傳媒股份有限公司 (GuangZhou JinYi Media Corporation) and 橫店電影院線有限公司 (Hengdian Film Co., Ltd.) to establish 五洲電影發行有限公司 (WuZhou Film Distribution Co., Limited) ("WuZhou Distribution"), of which Dadi Distribution accounted for 22.5% of its shareholdings. During the year, Wuzhou Distribution distributed a total of 14 films as a lead distributor with an aggregate box office of approximately RMB6.76 billion, accounting for approximately 25% of the gross box office of Chinese films, ranking first among private distribution companies. Each of the box office of "Goodbye Mr. Loser" (《夏洛特煩惱》), "Mojin-The Lost Legend" (《尋龍訣》) and "A Hero or Not" (《煎餅俠》) distributed by Wuzhou Distribution as the lead distributor was over RMB1 billion, making into top ten highest grossing films for the year 2015.



In addition, Dadi Distribution jointly set up a media investment fund with a number of cultural media companies to comprehensively build the layout for the upstream industry chain of films.

Oristar

In 2015, there were more than 1,200 new cinemas nationwide with 8,035 new screens, representing a daily average of approximately 3 newly-opened cinemas. The quality of film screenings became the necessary core capacity for every cinema investment company, aiming at providing high quality services and viewing experience for its audiences. Accordingly, technical service demand of the film market showed rapid growth.

數碼辰星科技發展（北京）有限公司 (Digicine Oristar Technology Development (Beijing) Company Limited) ("Oristar"), a subsidiary of the Group, fully seized the opportunities arising from the rapid development in technical service demand of the film market and independently developed certain products such as digital film screening server, ticketing system and cinema screening integrated management system, which filled the gaps in mainland China. Its AQ series digital film screening server was the only digital film screening server in China accredited by American film industry DCI (Digital Cinema Initiatives) to date. During the year, Oristar made breakthrough progress in the field of laser IMAX and self-developed 2K/4K boards. Its first-ever laser IMAX solutions have successfully launched the third generation products. Since its establishment and up to 31 December 2015, Oristar has provided technical solutions for accumulated more than 2,000 cinema halls and entered into contracts with 460 cinemas, covering 30 provinces, autonomous regions and municipalities all over China.

Chairman's Statement

PROPERTY DEVELOPMENT

As for property development, the Group always holds its ground and pushes forward steadily. According to the research on industry development trends, the Group believes that in the medium and long term, China's real estate market will gradually enter a brand new stage of development. During the process of gradually breaking away from the "windfall profit era", the market's requirements for product quality and operational efficiency of the property development companies will be increased rapidly. This will accelerate the survival of the fittest and the China's real estate market will gradually get to a healthy and orderly track of development. Based on the judgement on this trend, Nan Hai Development, a subsidiary of the Group, constantly upheld its business philosophy of "quality first" for its long term development. While striving for enhancing operation and management ability as well as recruiting and retaining talents, it laid foundations for sustainable development.

"The Peninsula" Project in Shenzhen

During the year, a series of new policies for the real estate industry were introduced to gradually replace all previous restrictive policies with more open and market-oriented policies. These favorable policies played an important role in real estate market recovery in first tier cities. In particular, the increase in property prices in Shenzhen topped all other cities in China for the year 2015. The Shenzhen Government recently announced policies on curbing the rapidly climbing housing price, yet these policies were relatively scientific, achieving stable development in the market instead of resulting in excessive volatility in the market, which was beneficial to the long-term development of the real estate industry.

During the year, the development of "The Peninsula" property project in Shenzhen of Nan Hai Development was rolled out in an orderly manner. High-end sea view residences of Phase 3 of the project with an area of approximately 185,000 sq.m.,which has obtained the pre-sales permit on 28 March 2016, and is expected for pre-sales during the second quarter of 2016, while the construction of Phase 4 of the project was commenced in July 2015, and pre-sales of which is expected to commence in 2017. It is expected that the project will generate substantial cash flows for the Group and continuously enhance its financial results. Moreover, it will provide adequate financial support for the development and expansion of new property projects and the hatching and nurture of other new business segments of the Group.

Chairman's Statement

"Free Man Garden" project in Guangzhou

During the year, the development of the "Free Man Garden" project by 廣州東鏡新城房地產有限公司 (Guangzhou Dongjing Xincheng Properties Co., Ltd), an associate of the Group, went smoothly. The construction of the main structure of Phase 2 has completed, and the whole construction is expected to be completed in the first half of 2016 and to be delivered in the second half of 2016. The residential project of Phase 3 and the commercial project of Phase 1 are under construction. It is expected that residential project of Phase 3 will fulfill pre-sales conditions in 2016, and the commercial project of Phase 1 will be completed in mid-2016.

Chairman's Statement

CORPORATE IT APPLICATION SERVICES

In 2015, Sino-i continued to focus on its corporate IT application services business through key subsidiaries, namely 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet"). During the year, turnover of this segment was approximately HK$808.3 million (2014: HK$784.8 million), representing an increase of approximately 3.0% year-on-year. The net loss before income tax was approximately HK$14.9 million (2014: HK$177.0 million). The Group managed to report significant decrease in loss, which was mainly due to the adjustments to product structure by boosting the sales of those self-developed products having higher gross profit margin, resulting in an increase of profit in 2015. Furthermore, as compared with 2014, the Group rose efficiency in product research and development, and increased the capitalization ratio of research and development expenditure, in return recording a decrease in research and development expenses as compared to last year. In addition, by improving of assets efficiency, the depreciation and amortization expenses recorded a decrease as compared to 2014.

Over the past year, the Chinese government has gradually offered more support to SMEs and vigorously pushed forward the application of information technology by enterprises. In the Report on the Work of the Government issued in March 2015, the State Council raised "Internet+" to national strategic level with a view to promote the complete connection and integration between information technology and all industries by implementing the "Internet+" strategic plan, and hence to facilitate overall economic transformation and upgrading. By constantly supporting the development of enterprises to create a brand new socio-economic formation, the impact of the "Internet+" plan on the whole society has entered an unprecedented stage.

Chairman's Statement

In view of the fact that there were few enterprise-level information technology products available due to the variety and complexity of the information needs from SMEs, the overall market was not yet mature in spite of a favorable policy environment. Therefore, the growth rate of Sino-I's operating income was only 3% for the year. However, to our great joy, with the growing awareness of the role and value of information technology for SMEs and the attempt and application of information technology, the IT application services business designated for enterprise informatization has started to show an accelerated development trend. The Group believes that the leaping growth of the market has gradually been "counting down".

In the past decade, Sino-i remained adamant about providing corporate IT application services for SMEs in the PRC and striving for development of information technology. Thanks to its unremitting efforts, Sino-i has successfully established a second-to-none national business and services network in the industry, so as to address "the last kilometer" problems between service providers and corporate clients. In the meantime, in respect of product development, Sino-i has successfully launched a series of leading e-commerce products in the industry after long term exploration and promotion.

In the coming year, Sino-i will be committed to promoting the optimization of business models and the development of new products, so as to improve service quality and operational efficiency. In the meantime, as one of leading enterprises in the industry, it will make its utmost efforts to push forward the development of the industry with a view to successfully grasp the opportunities arising from market development.

Chairman's Statement

DEVELOPMENT OF NEW BUSINESSES

Dadi News Media

Adhering to its philosophy of investing in those industries which are beneficial to human intelligence, the Group expanded into the media field by establishing Dadi News Media (HK) Limited ("Dadi News Media"), striving to build new media with innovative models so as to assist in social reform and advancement by upholding its own ideas and beliefs. The businesses of Dadi News Media include "HK01" and Duowei Media. As the first advocacy media in Hong Kong, "HK01" will provide comprehensive and in-depth analysis on various issues such as current events, society and lifestyle by means of online to offline (O2O) model through multimedia platform at its website, weekly magazine and physical premise. In the future, "HK01" will realize distribution and advertising income from its weekly magazine and website and income from holding events at its physical premise as its main source of income. Presently, the website of "HK01" has already launched on 11 January 2016, and its weekly magazine has already published on 11 March 2016. Duowei Media includes two major media, namely Duowei monthly magazine and Duowei website. Duowei monthly magazine, which was published in the second half of 2015, has been well-received by its target audience base and marked a concrete step forward for the Group's new media business.

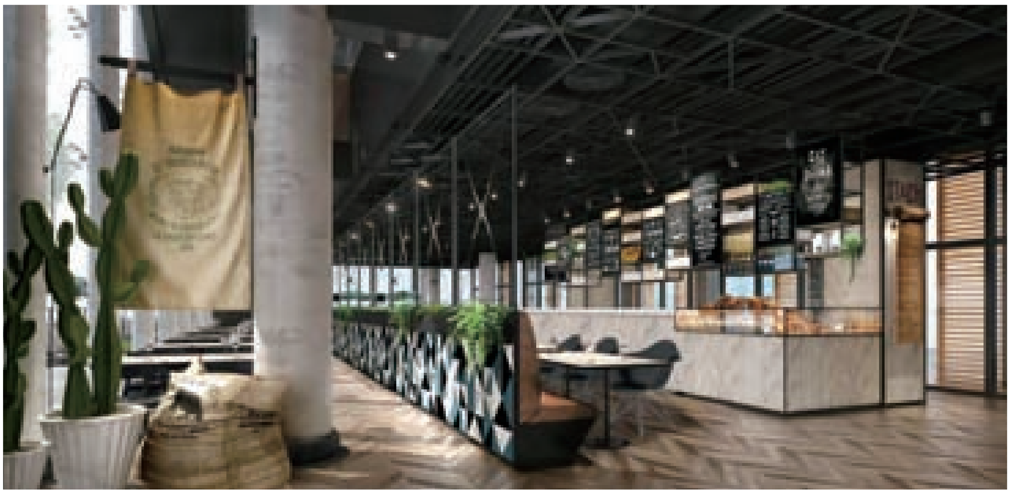
Looking forward, the management of the Company is confident to uphold its values in pursuit of the ideals and establish Dadi News Media as a new media which can assist in social reform and advancement. The Group will continue to devote more efforts and investment in such segment to successfully build up its industrial foundation and develop it as a new segment of the Group within two to three years.

Chairman's Statement

Innovative Business of Dadi

The Group conducted continuous and in-depth study on the development and changes of China's macroeconomic environment and economic situation, and made forward-looking judgement on the transformation of China's economy, especially the evolution trend of China's consumption structure. Therefore, the Group has laid a solid foundation through the establishment of Dadi Cinema prior to the emergence of the service industry. At the current stage, with the development of urbanization in China, rising spending capability of the youth and the continuous growing middle class, the "town youth" has gradually become a huge reserve for the middle class. As a result, the growth of "quality life" marked by "film culture" and "mobile culture" has gained momentum. The service industry has gradually become the main driving force for economy due to the increase in consumption capability, and the business environment focusing on "quality life" has been gradually taking shape. Against this backdrop, for its medium to long term strategy, the Group will continue to vigorously expand its chain cinema business, and develop various businesses to build an ecosystem for the service industry based on urbanization and modern consumption models by leveraging on the well-established strong foundation of Dadi Cinema.

In accordance with this strategy, the Group introduced the "Film+" strategy through Dadi Cinema. It was intended to make innovative breakthroughs, integrate all kind of resources and enhance cross-industry collaboration with "movie culture groups" accumulated for years by Dadi Cinema as the core, with a view to creating an ecosystem of theatre experience integrated with diversified operation of "Film + Innovative Retail", "Film + Innovative Catering" as well as "Film + Innovative Internet" , while deepening its relationship with "movie culture groups" to explore their consumption capabilities of "quality life" to the full extent.



Chairman's Statement

During the year, the Group launched its "Innovative Business", a brand new business segment, by establishing Dadi Innovation (HK) Limited ("Dadi Innovation"). Through mergers and acquisitions and new incorporation, the Group first invested in two fields, namely chain retail and chain catering, to build the innovative business operating system. As for its retail business, the Group entered into a contract in respect of the acquisition of 70% equity interest in Crabtree & Evelyn, an internationally renowned skincare brand. Details of the acquisition are set out in the announcement dated 15 December 2015 issued by the Company. As for its catering business, on the basis of its in-depth understanding and grasp of the Chinese food consumption trends, the Group established Dadi Catering (HK) Limited ("Dadi Catering"), Dadi Catering will offer healthy, innovative and good value for money light meals and memorable dining experience through the establishment of a strong food R&D and supply chain management system for "movie culture groups" of Dadi Cinema.

Looking forward, the Group will continue to devote more efforts and investment in such segment to successfully build up its industrial foundation and develop it as a new segment of the Group within two to three years.

Chairman's Statement

CONCLUSION

The Group is optimistic about China's macroeconomy and the future development of its three main businesses, namely culture and media, property development and corporate IT application services, and is confident that it can achieve better performance in 2016.

In the coming year, the Group will continue to vigorously develop its three main businesses, i.e. culture and media, property development and corporate IT application services, by adhering to its diversified core business strategy. The Group will be committed to pursuing the entire industry chain layout of the film industry through the accelerated expansion of Dadi Cinema by new incorporation and mergers and acquisitions. It will also speed up the development process of the existing property projects, while striving for the exploration of new property projects; and will further improve its operation and management level as well as its operational efficiency of corporate IT application services. In the meantime, the Group will spare no efforts to foster its media business and innovative business so as to facilitate resource sharing and strategic synergy in cross-business fields, striving to develop them as the fourth and fifth segments of the Group. In addition to creating greater value for its shareholders, the Group will consolidate its foundation for sustainable development for the medium and long term. Last but not least, I would like to express my gratitude to the shareholders for their concern and support, and also to the Board, executive committee and all staff of the Company for their dedication and contribution.

Yu Pun Hoi
Chairman
Hong Kong, 30 March 2016

Management Discussion And Analysis

Management Discussion and Analysis

Revenue
HK$4,200.1
million

Net assets attributable to the owners of the Company
HK$3,242.3
million

HK$0.047
Net assets per share

During the year, the Group continued to engage in three main businesses, namely culture and media, property development and corporate IT application services, and made some achievements through Dadi Media, Nan Hai Development and Sino-i. In the meantime, for the purpose of its long term development, the Group started to tap into new business segments such as "New Media" and "Innovative Business" by means of mergers and acquisitions and new incorporation. In addition to consolidating its existing three main businesses to achieve more outstanding performance, it is expected that the Group will continue to sow seeds in the businesses of "New Media" and "Innovative Business" in the coming year, sparing no effort to make them as the fourth and fifth business segments of the Group within two to three years.

Benefited from the business segment of culture and media and in particular driven by the rapid growth of cinema business, turnover of the Group for the year increased by approximately 33.2% to HK$4,200.1 million (2014: HK$3,153.0 million). Net profit attributable to the owners of the Company was approximately HK$238.9 million (2014: net loss of HK$701.7 million), successfully achieving a turnaround in its performance. The increase in profit was mainly attributable to the combined effects of improvement in profit driven by the increase in revenue, the investment gain of approximately HK$165.6 million arising from the disposal of 20% equity interest in 龍芯中科技術有限公司 (Loongson Technology Co., Ltd), an associate held by the Group (details of which were set out in the announcement issued by the Company on 29 January 2015) as well as a gain of HK$153.1 million arising from the changes in fair values of investment properties. Net assets attributable to the owners of the Company were approximately HK$3,242.3 million (2014: HK$3,157.1 million), representing a value of approximately HK$0.047 (2014: HK$0.046) per share.

Culture and Media

Management Discussion and Analysis

	2015 HK$million	2014 HK$million	Increased HK$million
Revenue	3,153.0	2,200.0	953.0
Net profit/(loss) before income tax	230.5	(259.3)	489.8

BUSINESS REVIEW

During the year, thanks to the sustained and rapid development of the Chinese film industry, culture and media segment continued to attain encouraging results. Revenue for the year increased by 43.3% to HK$3,153.0 million (2014: HK$2,200.0 million). Net profit before income tax was approximately HK$230.5 million (2014: net loss before income tax of HK$259.3 million), successfully achieving a turnaround in its performance. The increase in profit was mainly due to the significant increase in gross profit as a result of the growth in box office of Dadi Cinema.

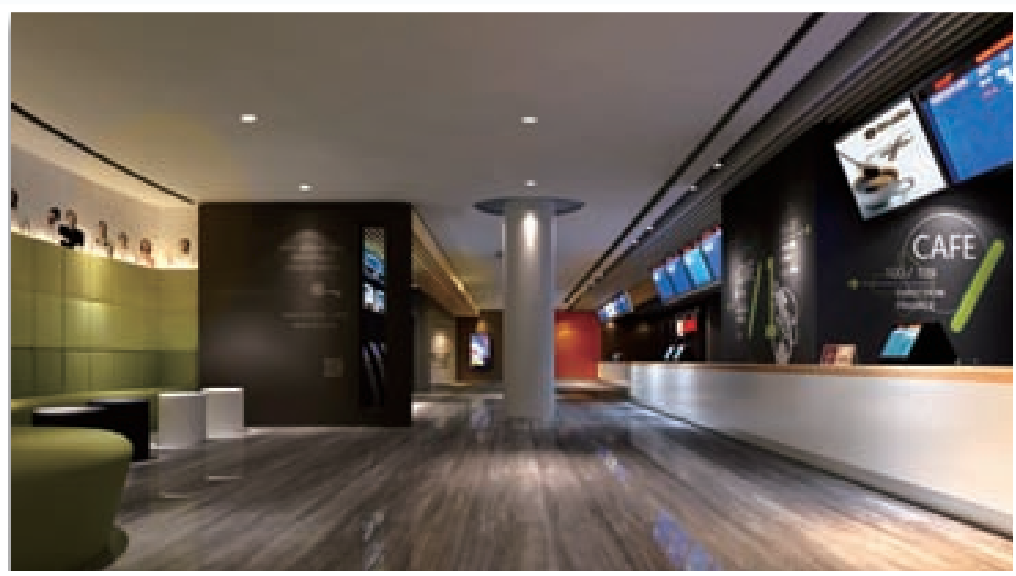
大地影院 大地发行 辰星科技 ORISTAR

Management Discussion and Analysis

Dadi Cinema

In view of the fact that performance, box office and the number of audiences in the film market of the PRC kept setting high records in 2015, it marked a healthy trend in the Chinese film market with continuous and high-speed development. According to statistics released by the State Administration of Press, Publication, Radio, Film and Television, the national box office in 2015, which recorded the largest increase over the past five years, amounted to RMB44.07 billion, representing a growth of approximately 48.7% as compared to RMB29.64 billion for the corresponding period last year. The cinemas in the PRC recorded an admission of 1.26 billion audiences for the year, being the first breakthrough of its audience number reaching over 1 billion. Benefited from waves of outstanding productions of Chinese films, box office of Chinese films accounted for over 60% of the gross box office and beat imported films to below 40% of the gross box office for the first time. Among the top ten highest grossing films for the year, seven of which were Chinese films. "Monster Hunt" (《捉妖記》), with its box office of RMB2.44 billion, ranked the highest grossing film for the domestic box office.

In terms of distribution of urban box office, "town youth" has become an essential driving force for the growth of box office, generally spurring the box office of cinemas in the second, third and fourth tier cites. Given the rapid expansion since its inception, coupled with its unremitting efforts put into the second, third and fourth tier cites and continued cultivation of movie-watching habit for "town youth", Dadi Cinema has received positive feedbacks in the market for its early efforts. During the year, Dadi Cinema achieved another record high admission of 71.58 million audiences with its box office before tax amounting to RMB2.21 billion, representing an increase of approximately 46.7% over the corresponding period last year, which accounted for approximately 5.0% of the national box office, ranking second among cinema investment management companies throughout China. The compound growth rate of box office of Dadi Cinema for the past five years was about 44.6%, representing approximately 10.5% higher than that of national box office for the corresponding period. As of 31 December 2015, Dadi Cinema operated 286 cinemas and 1,481 screens, with its network spreading over 28 provinces and 140 cities in the PRC. In addition, the number of contracted backlog was over 330 cinemas.

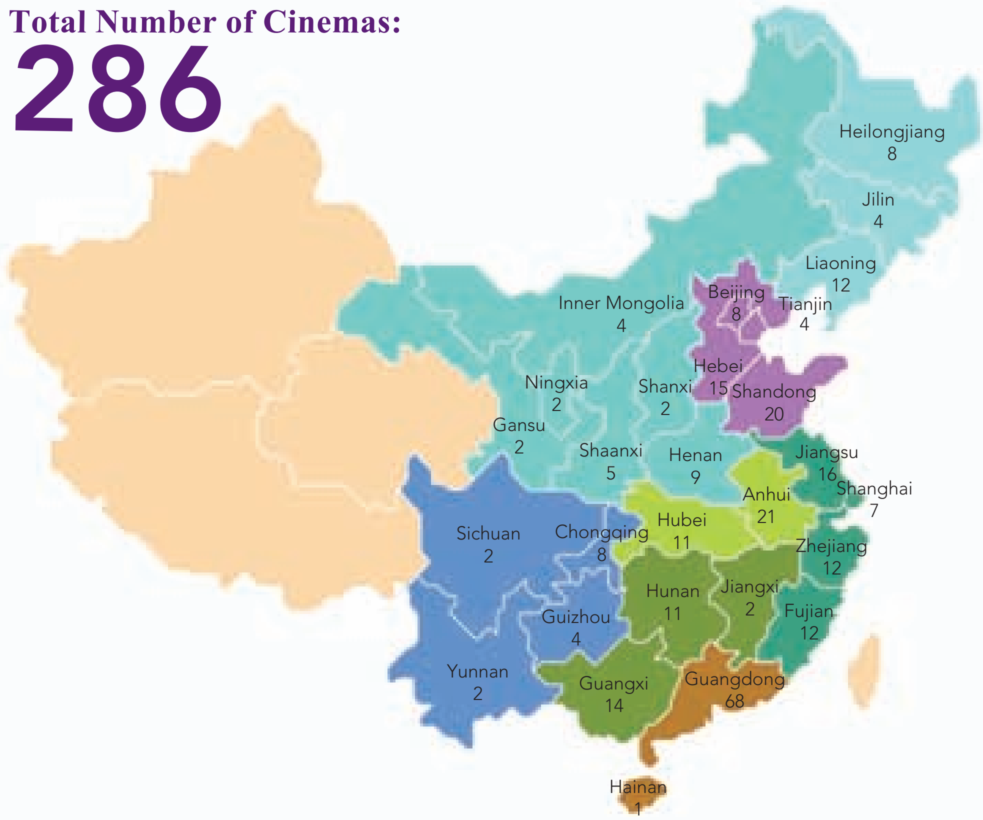


Management Discussion and Analysis

GEOGRAPHICAL DISTRIBUTION OF DADI CINEMA AS AT 31 DECEMBER 2015

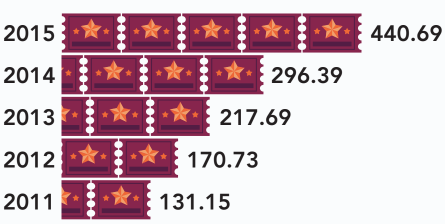
Total Number of Cinemas:

286

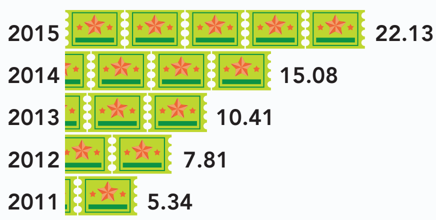


Heilongjiang	8
Jilin	4
Liaoning	12
Beijing	8
Hebei	15
Shandong	20
Tianjin	4
Jiangsu	16
Shanghai	7
Zhejiang	12
Fujian	12
Guangdong	68
Hainan	1
Guangxi	14
Hunan	11
Jiangxi	2
Anhui	21
Hubei	11
Henan	9
Shanxi	2
Shaanxi	5
Ningxia	2
Inner Mongolia	4
Gansu	2
Guizhou	4
Sichuan	2
Yunnan	2
Chongqing	8

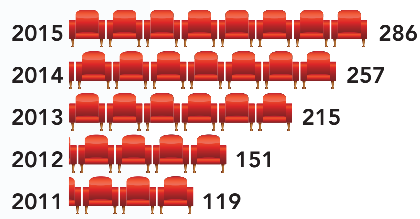
National Gross Box Office (RMB hundred million)



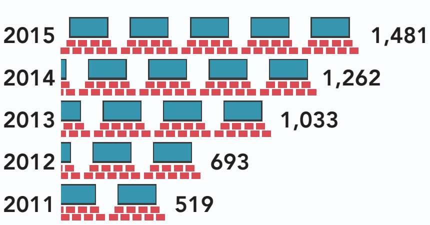
Box Office of Dadi Cinema (tax included) (RMB hundred million)



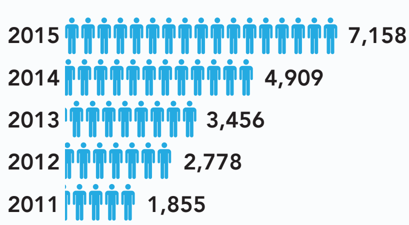
Number of Dadi Cinema (Number)



Number of Screens in Dadi Cinema (pieces)



Number of Audiences in Dadi Cinema (ten thousands)



Management Discussion and Analysis

In 2015, due to emergence of movie culture groups, Dadi Cinema commenced its new strategic development phase of "Film+". "Film+", with "movie culture groups" as the core, is designated to achieve comprehensive and innovative breakthroughs, integrate all resources and strengthen cross-industry collaboration, with a view to create an ecosystem of theatre experience integrated with diversified operation of "Film + Innovative Internet", "Film + Innovative Retail" as well as "Film + Innovative Catering" while deepening its relationship with movie culture groups. Under the growing trend of close relationship between films and internet, Dadi Cinema strived for changes and adopted an open and co-winning business attitude with the internet. The cooperation with internet giants, Le Vision Film and Alibaba Pictures, on the management of membership and the data integration created an open e-commerce platform, thereby marked the milestone of "Film + Innovative Internet" business of Dadi Cinema.

During the year, part of future box office of 80 Dadi Cinema's theatres was designated to be pledged as the security of the issue of asset securitization products which was listed on Shenzhen Stock Exchange on 1 February 2016. Total facility of RMB1.13 billion was used for the development of theatre construction related business (please refer to the announcement dated 1 February 2016 issued by the Company for details). With the national support for development of the cultural industry and rapid development in the film industry, capitals has become more centralized. Leveraging on Dadi Cinema's sound capability of information and standardization management in the industry and its strong financing capability, it is expected that Dadi Cinema will speed up its expansion network by means of self-construction as well as mergers and acquisitions, and try to adopt different innovative financing methods so as to continue improving its capital structure. The commencement of asset securitization business proves Dadi Cinema's success in an attempt to the development of diversified financing.

Management Discussion and Analysis

Dadi Distribution

Benefited from the rapid development of Chinese film industry, Dadi Distribution, a subsidiary of Dadi Media, continued to enhance its professional capability of distribution as well as actively expanded its businesses through external cooperation achieved good performance during the year.

During the year, Dadi Distribution, as a lead distributor or jointly with other renowned distributors, released four films in the PRC, including "The Mystery of Death: Pisces Jade Pendant" (《死亡之謎之雙魚玉佩》), "Two Thumbs Up" (《衝鋒車》), "To the Fore" (《破風》) and "Heart for Heaven" (《一念天堂》). Among which, the box office of "Two Thumbs Up", "To the Fore" and "Heart for Heaven" was RMB20.92 million, RMB145 million and RMB82.79 million respectively.

During the year, 五洲電影發行有限公司 (WuZhou Film Distribution Co., Limited) ("WuZhou Distribution"), an associate of Dadi Distribution with a shareholding percentage of 22.5%, distributed a total of 14 films as a lead distributor with an aggregate box office of approximately RMB6.76 billion, accounting for approximately 25% of the gross box office of Chinese films, ranking first among private distribution companies. Each of the box office of "Goodbye Mr. Loser" (《夏洛特煩惱》), "Mojin-The Lost Legend" (《尋龍訣》) and "A Hero or Not" (《煎餅俠》) distributed by WuZhou Distribution as the lead distributor was over RMB1 billion, making into top ten highest grossing films for the year 2015.

Management Discussion and Analysis

Oristar

In 2015, there were more than 1,200 new cinemas nationwide with 8,035 new screens, representing a daily average of approximately 3 newly-opened cinemas. The quality of film screenings became the necessary core capacity for every cinema investment company, aiming at providing high quality services and viewing experience for its audiences. Accordingly, technical service demands of the film market showed rapid growth.

Oristar, a subsidiary of the Group, fully seized the opportunity arising from the rapid development in technical service demand of the film market and independently developed certain products such as digital film screening server, ticketing system and cinema screening integrated management system, which filled the gaps in mainland China. Its AQ series digital film screening server was the only digital film screening server in China accredited by American film industry DCI (Digital Cinema Initiatives) to date. As one of the suppliers of movie ticketing softwares authorized by the State Administration of Press, Publication, Radio, Film and Television, its ticketing system, with innovative, flexible and extensible structure and design, is a product compatible with three application modes (per cinema, groups of cinemas, cloud services). Cinema screening integrated management system supports remote network broadcasting and control management of cinemas, optimizes manual operations of cinemas and simplifies front-line management, with a view to achieving standardized screening. During the year, Oristar pioneered the integration of cloud screening server and cinema screening integrated management system internationally. Such integration is able to share its massive film storage while significantly simplify the operating process of cinema screening, resulting in enhancement of its operational efficiency. By adopting the new structure, the setup cost of the system is approximately 20% lower than that of the conventional screening server. Except for the three products mentioned above, Oristar, as a vanguard of technology provider of laser IMAX total solutions in the domestic film market, has conducted its first laser IMAX project since 2013 and by far has successfully launched the third generation of the laser IMAX solutions, well recognized by the market in terms of its outstanding performance.

Since its inception and up to 31 December 2015, Oristar has provided technical solutions for accumulated more than 2,000 cinema halls and entered into contracts with 460 cinemas, covering 30 provinces, autonomous regions and municipalities all over China.

Management Discussion and Analysis

PROSPECTS

Looking forward, the Group considers that there is a significant space for the potential development of the PRC film market, which is expected to keep the momentum of a high growth rate over the long term. Currently, the box office in China ranks second in the world, following the U.S.A, and the gap is gradually narrowing down. However, per capita film attendance per annum in the PRC was approximately 0.92 time, which lags far behind that in many developed countries such as Korea, the U.S. and Australia by around 4 times, which is still in its early stage of development. Along with the rapid growth of the national economy, strong support from the state government for cultural development, and the enhancement of the national cultural and high quality consumption in the PRC, it is expected that the PRC film market has reached a long term high speed development period. The prospects of the industry are promising.

Meanwhile, given the encouragement to invest and construct cinemas by the PRC government, competition among the major cinemas will become fiercer and risks of the intensifying market competition will be increased. Apart from increasing investment by existing cinema investors, those new investors inside and outside the industry were evolving. If the Group cannot react swiftly and effectively to the keen competition in the market, the results of operation and prospects of the Group may be affected. Against this backdrop, the film industry related subsidiaries of Dadi Media will progressively develop its own business, while enhancing the strategic synergy and resource sharing to support and complement each other, thereby mitigating the fluctuation of the industry, searching for the whole industrial chain layout, continuously reinforcing and enhancing its overall leading position in the film industry and its market position in different subdivided fields.

Dadi Cinema will implement multi-brands strategy on its cinema business, aiming at providing differentiated products and services for different market segments so as to solidify and continue to expand its market share. Dadi Cinema will pursue both the rapid expansion of new cinema erection projects and quality enhancement of such projects, and continue to increase the proportion of contracts entered with renowned property developers; improve the film screening quality and operational efficiency; strengthen up brand-building progress; expand the base of talented staff as well as enhance its core competitiveness.

In 2016, "Film + Innovative Retail" and "Film + Innovative Catering" strategies will be in full implementation. The retail and catering business under the innovative businesses of Dadi will be fully implemented by leveraging the strong platform of Dadi Cinema. With respect to "Film + Innovative Internet", the Group will actively explore new business model and establish external partnership, seize various opportunities from the internet and provide a leading edge in the areas of related business.

Property Development

Management Discussion and Analysis

	2015 HK$million	2014 HK$million	Increased HK$million
Revenue	192.1	127.8	64.3
Net profit/(loss) before income tax	97.4	(208.3)	305.7

BUSINESS REVIEW

In 2015, revenue of this segment was approximately HK$192.1 million (2014: HK$127.8 million), representing an increase of approximately 50.3% year-on-year. Net profit before income tax was approximately HK$97.4 million (2014: net loss before income tax of HK$208.3 million), successfully achieving a turnaround in its performance, mainly because certain properties have been transferred to investment properties by the Group during the year. The gain arising from the changes in fair values of investment properties was approximately HK$153.1 million.

In 2015, the PRC governing authority has switched its directions and replaced all previous restrictive policies with more opened and market-oriented policies, which was a key highlight of the property market. As at 30 March 2015, Chinese government authorities introduced new policies for the property market, including lowering down payment levels to 40% for second homebuyers and to 20% for housing provident funds. The holding period of property for business tax exemption lower from 5 years to 2 years. A string of policies were rolled out to unleash housing demand from homebuyers, resulting in the rapid heating up of property transaction in first and major second tier cities and accordingly a significant increase in room rates. Save for the above, Central Bank monetary liquidity has been released, continuously lowering the interest rate for 5 times and reducing the reserve requirement ratios for 5 times successively in 2015. The monetary measures were favorable to the property market. Based on the statistics disclosed on the official website of Urban Planning, Land & Resources Commission of Shenzhen Municipality, market volume and prices of new properties in Shenzhen recorded remarkable performance and reached a record high throughout 2015. The total transaction volume of newly-constructed commercial residential buildings was 66,450 with the transacted area of 6.66 million sq.m., representing an increase of 58.65% and 65.21% year-on-year respectively. As for prices, the average transaction price per month in Shenzhen rocketed to RMB44,761/sq.m. in November 2015, representing an increase of 69% year-on-year, which marked the largest increase since 2008. However, the Shenzhen Government recently announced policies on curbing the rapidly climbing housing price, yet these policies were relatively scientific, achieving stable development in the market instead of resulting in excessive volatility in the market, which was beneficial to the long-term development of the real estate industry.

Management Discussion and Analysis

"The Peninsula" Project in Shenzhen

In the face of easing property policy and recovery of the property market, Nan Hai Development kept on facilitating and rolling out the development of Phase 3 to Phase 5 of "The Peninsula". Located close to free trade zone of Qianhai and Shekou, Shenzhen, "The Peninsula" with top ocean view and its fusion of values between nature and city. It is an upper-class and international humanities community integrated with auxiliary facilities such as international yacht club, luxurious club, cultural and innovative businesses, specialty catering and international education. During the year, Nan Hai Development adhered to quality as the core, excelling at raising the bar for its products with exquisite decorations. Phase 3 of the project has already got the pre-sale permit on 28 March 2016 and is expected for pre-sales during the second quarter of 2016, offering approximately 185,000 sq.m. of top-class residential units with sea view. Phase 4 of the project started its construction in July 2015 and is expected to fulfill its pre-sales conditions in 2017.

"Free Man Garden" project in Guangzhou

Phase 2 of "Free Man Garden" in Guangzhou started for pre-sales in February 2015. During the year, the total sales of the property was approximately RMB1.15 billion with total sales area of approximately 109,000 sq.m., accounting for approximately 77.3% of the total area of Phase 2. The construction of the main structure of Phase 2 has completed, and the whole construction is expected to be completed in the first half of 2016 and to be delivered in the second half of 2016. The residential project of Phase 3 and the commercial project of Phase 1 are under construction. It is anticipated that Phase 3, with residential area of approximately 276,500 sq.m., will fulfill its pre-sales conditions in 2016; and the commercial project of Phase 1 is expected to be completed in mid-2016.

Management Discussion and Analysis

PROSPECTS

Looking to 2016, in respect of macroeconomic policies, the People's Bank of China will continue implementing its prudent monetary measures to maintain reasonable and sufficient capitals in the market while facilitate demands for properties by market-oriented means of guiding effective rates downward in the medium and long term and reducing corporate finance costs. Combined with the analysis of monetary policies and demands for properties, the management of the Group expects that the property market will maintain a good momentum of development in the coming year, and the housing rates will either remain stable or increase moderately. Nan Hai Development will capture every potential business opportunity and uphold its philosophy of "user-friendly designs, high quality and building humanity community". With its top priority of quality assurance, Nan Hai Development will also speed up the development progress of "The Peninsula" in Shenzhen and "Free Man Garden" in Guangzhou.

In the mid-to-long term, the main risk confronted by the property market was that it resumed a low or medium growth from high growth, with continued pressure on inventory arising from plenty of early-stage investments, and the structural differentiation in property market has become prominent. Nan Hai Development will adopt a prudent attitude, while focusing on first tier cities and taking the initiative in developing new property projects, aiming at laying a solid foundation for its sustainable development in the medium and long term.

Corporate IT Application Services

Management Discussion and Analysis

	2015 HK$million	2014 HK$million	Increased HK$million
Revenue	808.3	784.8	23.5
Net profit/(loss) before income tax	(14.9)	(177.0)	162.1

BUSINESS REVIEW

In the past decade, the Group's corporate IT application services segment remained adamant about providing corporate IT application services for SMEs in the PRC and striving for development of information technology. Yet the development of information technology for SMEs in the PRC was not a smooth one. From the perspective of demand side, on one hand, the overall informatization of numerous SMEs across the PRC remains at a low level due to poor external macroeconomic environment and intense competition, characteristics such as limited resources on hand, insufficient investments devoted in information technology and generally low knowledge and application level of information technology for SMEs in China become more prominent. On the other hand, these enterprises have more requirements for information technology products in terms of functions, performance and personalization. Corporate clients usually require its service providers to provide localized and face-to-face product promotions as well as long term and stable after-sales services due to complexity of enterprise-level products. From the perspective of supply side, in order to supply enterprise-level information technology products for SMEs in a large scale and in the long run, it is necessary for the suppliers to maintain a solid fundamental operating platform, and achieve a balance between standardization of operational efficiency and satisfying the personalization requirements of their clients. As a result, the development of information technology products is a difficult long term project which involves substantial preliminary costs. In addition, launching of new products and new applications requires long term promotion and building up a client base before they can receive attentions and interests from the clients. All of these put high requirements on investment strength, product development capabilities, technical skills and operational capacity of the service providers. Equally importantly, given the localized and face-to-face services requirements of the corporate clients, the difficulties in "the last kilometer" between enterprises and clients however present an almost insurmountable impediment to success for the technology-oriented small and medium-sized service providers.

Management Discussion and Analysis

Thanks to the long term efforts devoted to information technology market for SMEs, this segment has successfully established a corporate e-commerce and product information operating system as well as an extensive business and services network for SMEs, so as to address "the last kilometer" problems and to be well poised to achieve leapfrog development in corporate services market for SMEs in the PRC in the future. During the year under review, with CE Dongli and Xinnet as its main business entities, this segment continued to focus on the development of its corporate IT application services business. In 2015, revenue of this segment was approximately HK$808.3 million (2014: HK$784.8 million), representing a growth of approximately 3.0% over the corresponding period last year. Net loss before income tax was approximately HK$14.9 million (2014: HK$177.0 million).

In 2015, this segment focused on the innovation and upgrading of its self-developed products and development of new products. As compared with 2014, significant decrease in loss of this segment was mainly due to the adjustments to product structure by boosting the sales of those self-developed products having higher gross profit margin, in return recording a year-on-year increase in gross profit of approximately HK$50.7 million in 2015. Furthermore, as compared with last year, this segment raised efficiency in product research and development, and increased the capitalization ratio of research and development expenditure, in return recording a decrease in research and development expenses of approximately HK$27.1 million as compared to last year. In addition, by improving of assets efficiency, the depreciation and amortization expenses recorded a decrease of approximately HK$73.9 million as compared to last year.

Management Discussion and Analysis

CE Dongli

During the year, the operating income of CE Dongli recorded an increase as compared with last year and it recorded a profit for the year as compared to the loss position for last year, successfully achieving a turnaround in its performance. The improvement in performance was mainly due to boosting the sales of those self-developed products having higher gross profit margin, in return recording a significant increase in gross profit as compared with last year. Furthermore, as compared with last year, the Group improved its efficiency in research and development and the proportion of its capitalized research and development expenses, in return recording a decrease in research and development expenses as compared with the corresponding period last year. In addition, by strengthening the management of its efficiency in asset utilization, the depreciation and amortization expenses recorded a significant decrease as compared with last year.

During the year, in addition to focusing on its traditional businesses such as website constructions and communications for SMEs, CE Dongli continued to explore innovative business models and put more efforts in the research and development of new products. CE Dongli also dedicated to boosting the market shares of those self-developed products having higher gross profit margin in its course of business and achieved a considerable increase in its market shares accordingly. In order to help addressing online marketing problems faced by SMEs, CE Dongli successfully launched a new business by providing easy, efficient, convenient and comprehensive online integrated marketing services for SMEs at the beginning of 2015, and further provided mobile promotion services in September 2015.

Management Discussion and Analysis

Xinnet

During the year, Xinnet recorded an increase in the revenue and a significant decrease in net loss before income tax as compared with last year. The decrease in loss was mainly due to boosting the sales of those self-developed products having higher gross profit margin, as a result of the corresponding significant increase in gross profit as compared with last year. Furthermore, as compared with last year, the Group improved its efficiency in research and development and the proportion of its capitalized research and development expenses, in return recording a decrease in research and development expenses as compared with last year.

During the year, Xinnet continued its domain name registration business, cloud computing business and synergistic communication business, and actively developed various application and value-added products. As for its domain name registration business, Xinnet introduced new top-level domain products. As for its synergistic communication business, Xinnet continued to improve its services and renewal rate. However, due to progressive participation in internet-based services industry by domestic and international leading internet services providers, Renminbi depreciation which led to a rise in costs of domain names, together with booming mobile internet development, the competition of such industry in which Xinnet operated has been intensifying. Various suppliers have adopted dumping of domain names and cloud computing products at low prices as one of its major moves for tapping into and securing market shares in corporate information technology market. As such, brand names have become one of the major selection criteria for cloud computing products.

Management Discussion and Analysis

PROSPECTS

The management of the Company is optimistic towards the rapid development of corporate IT application services for SMEs in the PRC. The "Internet+" strategy has been creating a new ecological environment for the development of industries and businesses in the PRC. As the largest and most innovative group in the PRC, SMEs will gradually enjoy new business opportunities and vitality brought by "Internet+". Despite the development of such group has been adversely affected by the current economic downturn, SMEs will usher in a new development opportunity along with the adjustment and upgrading of industrial structure and consumption structure and macroeconomic bottom-out. The management believes that SMEs in the PRC will continue to increase its investment in information technology in the future. Although it still needs some time for market cultivation and promotion, but enterprise-level IT application services business will enjoy extensive market space. Therefore, the Group will continue to cultivate and develop this market in the long run.

In the coming year, the Group will spare no effort in product upgrades and sales strategy optimization, accelerating the research and development and promotion of its new products, namely e-commerce solutions, domain name trading platform and domain name ecosystem, and expanding its overall market share through development and operation of market segments. The Company will also enhance its core competitiveness and consolidate its market position by continuous research and development in cloud computing technology and product optimization. Meanwhile, the Group will optimize its operating services, enhance its operating efficiency and increase its investment in information technology platform optimization so as to improve its service quality and operational efficiency.

Development of New Businesses

Management Discussion and Analysis

Dadi News Media

The media industry around the world is undergoing major changes. Certain internet giants have been gradually eroding traditional media and dominating media industry. Traditional media, which suffered from steep loss in readers and generally trapped in doldrums, has been regarded as a sunset industry without promising prospects by the capital market. However, the Company believes that the true value of media lies with its underlying value, pursuit of the ideals and unique contents, which are the missing elements of today's media industry, instead of its means and forms. Adhering to the Company's philosophy of investing in those industries which are beneficial to human intelligence, the Group will strive for building a new media platform so as to play its due role in the society and assist in social reform and advancement by upholding its own ideas and beliefs.

The businesses of Dadi News Media (HK) Limited ("Dadi News Media") include "HK01" and "Duowei Media". Over the past year, "HK01" has yielded significant progress. It's website has already launched on 11 January 2016, and it's weekly magazine has already published the first edition on 11 March 2016. "HK01" will continue to take shape and provide full services for its readers once its website, weekly magazine and physical premise available in 2016. By then, "HK01" will realize distribution and advertising income from its weekly magazine and website and income from holding events at its physical premise as its main source of income. "Duowei Media" includes two major media, namely Duowei monthly magazine and Duowei website. Duowei monthly magazine, which was published in the second half of 2015, has been well-received by its target audience base and marked a concrete step forward for the Group's new media business.

Looking forward, the management of the Company is confident to uphold its values in pursuit of the ideals and establish Dadi News Media as a new media which can assist in social reform and advancement. The Group will continue to devote more efforts and investment in such segment to successfully build up its industrial foundation and develop it as a new segment of the Group within two to three years.

Management Discussion and Analysis

Innovative Business of Dadi

The rapid economic growth of the PRC has led to changes in consumption behavior, i.e. shifting from consumption of consumer goods to culture. The Group follows such trend and is committed to providing a new way of life for the quality consumer groups in the PRC. Adhering to the "Film+" strategy of Dadi Cinema, catering, retail and internet will be included in the ecosystem of its cinemas. At the same time, the Group is determined to act as a pioneer in the innovative lifestyle industry and combine the values of Dadi with innovative lifestyle elements based on the demand of quality consumer groups in the PRC.

During the year, Dadi Catering (HK) Limited ("Dadi Catering"), offering healthy, innovative and tasty light meals dining experience, has emerged under such circumstances. The business of Dadi Catering will definitely flourish in 2016 as the new restaurant of Dadi Catering located at "The Peninsula" in Shenzhen will commence operation. Driven by the "Film+" strategy of Dadi Cinema, Dadi Catering will kick off its network expansion work and get to the right track for rapid development as soon as possible.

As for its retail business, the Group entered into a contract in respect of the acquisition of 70% equity interest in Crabtree & Evelyn, an internationally renowned skincare brand. Details of the acquisition are set out in the announcements dated 15 December 2015 and 16 March 2016 issued by the Company respectively.

As a global personal consumer brand that has over 40 years of history with pure British culture and noble style, the products of Crabtree & Evelyn are sold in over 40 countries and regions through more than 4,000 points of sales, including more than 200 wholly-owned branded retail stores of which 27 stores are in Hong Kong. In addition to the integration of resources with Dadi Cinema and striving for business expansion, the Group is confident that the financial performance of Crabtree & Evelyn will be improved with a series of restructuring initiatives, including remodeling of the brand, supply chain optimization and development of new products.

Looking forward, the Group will continue to devote more efforts and investment in such segment to successfully build up its industrial foundation and develop it as a new segment of the Group within two to three years.

Management Discussion and Analysis

FINANCIAL RESOURCES AND LIQUIDITY

The Group continued to adopt prudent funding and treasury policies. As at 31 December 2015, net assets attributable to the owners of the Company amounted to approximately HK$3,242.3 million (2014: HK$3,157.1 million), including cash and bank balances of approximately HK$2,724.5 million (2014: HK$1,400.8 million) which were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As at 31 December 2015, the Group's aggregate borrowings were approximately HK$10,070.2 million (2014: HK$5,751.8 million), of which approximately HK$6,467.5 million (2014: HK$3,845.1 million) were bearing interest at fixed rates while approximately HK$3,602.7 million (2014: HK$1,906.7 million) were at floating rates.

As at 31 December 2015, the gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt was approximately 65.22% as at 31 December 2015 (31 December 2014: 53.23%).

As at 31 December 2015, the capital commitment of the Group was approximately HK$1,330.6 million, of which approximately HK$68.6 million would be used for the construction of the headquarters of corporate IT application services, approximately HK$414.2 million would be used as capital expenditures for the expansion of its cinema business, and approximately HK$847.8 million would be used as consideration for the acquisition of 70% equity interest in Crabtree & Evelyn.

As at 31 December 2015, the Group's contingent liabilities were approximately HK$3,188.1 million in connection with the guarantees given to secure credit facilities and guaranteed returns.

As at 31 December 2015, certain interests in leasehold land, buildings, other property, plant and equipment, intangible assets, properties under development and completed properties held for sale, investment properties and bank deposits with a total net carrying value of approximately HK$6,437.3 million were pledged to secure the credit facilities granted to the Group. In addition, trading securities with a carrying value of approximately HK$0.1 million and certain shares of several subsidiaries were pledged; bank accounts were charged and shareholders' loan of certain subsidiaries and an associate were assigned for securing the Group's credit facilities.

Management Discussion and Analysis

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The majority of the Group's borrowings and transactions were primarily denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi and Hong Kong dollars. The continued growth in the economy of the PRC is expected to warrant a fluctuation in Renminbi. The Group's reported assets, liabilities and results may be affected by the Renminbi exchange rates. Although Renminbi exchange risk exposure did not have significant impact on the Group during the year under review, the Group will keep on reviewing and monitoring the fluctuation in exchange rate between Renminbi and Hong Kong dollars. For the funding in US dollars, although Hong Kong dollars are adopted as the reporting currency of the Group, the management of the Group considers the exposure to exchange risk is insignificant owing to the linked exchange rate system that pegs Hong Kong dollars to US dollars. The Group may make appropriate foreign exchange hedging arrangements when necessary.

EMPLOYEES AND REMUNERATION POLICY

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave and etc. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board of the Company. In general, salary review is conducted annually. As at 31 December 2015, the Group had approximately 14,218 employees (31 December 2014: 13,777 employees). The total salaries of and allowances for employees for the year ended 31 December 2015 were approximately HK$1,129.1 million (2014: HK$971.7 million).

The Group focuses on providing skill and quality training for various levels of staff, and provides on-the-job capability training to its staff; in respect of staff quality, corresponding training on personal work attitude and work habits is also provided.

Corporate Social Responsibility

The Group's mission is to "change the world with wisdom and heart". For a long time, the Group has been focusing on long term investment and industrial development of "two industries". One is to enhance the wisdom of human, and the other is to enhance the wisdom of enterprises. The Group's vision is to improve people's quality of life, which is also the most important reflection of the Group's implementation of corporate responsibility.

SOCIAL RESPONSIBILITY

The Group is committed to benefit the community with excellent products and services, and to create more job opportunities for the society with its expanding corporate platform. The Group abides by the laws, pays taxes in accordance with rules and cares for its staff, while making contributions during its interaction with the society. It actively participates in public welfare undertakings and is devoted to environmental protection and green development. In the meantime, the Group has been actively and continuously conveying responsibility concept to its staff, partners and even customers, with a view to lead and push forward the cohesion of more powers and work together to contribute to the society. All above are the Group's due corporate responsibility and the persistent pursuit of the Group as well.

Dadi Cinema, a subsidiary of the Group, always upholds the mission of "let everyone watch movies and let everyone enjoy good movies". When establishing its first cinema, Dadi Cinema chose third to fifth tier cities instead of first tier cities with the highest return on investment in the short term. It fulfilled the town youth's pursuit of movies and dreams with reasonable fares, convenient ticketing experience and comfortable viewing experience. With the rising of town youth in third and fourth tier cities, Dadi Cinema's previous strategic layout has entered the harvest period. While fulfilling its corporate responsibility, various performance indicators of Dadi Cinema sustained high growth.

The mission of Sino-i, a subsidiary of the Group, is to create intelligent enterprises and smart entrepreneurs in the PRC through information technology operation. With its responsibility, dedication, professionalism and innovative spirit, Sino-i aims to achieve the vision that enterprises can easily carry out e-commerce and information technology management anywhere and anytime regardless of their size. In the past few years, although the devotion in information technology by SMEs were far less than that by large enterprises, Sino-i has always been steadfastly standing by the side of SMEs and striving for information technology construction, which in return has gained trust and support from the majority of SMEs.

PUBLIC WELFARE

Sino-i, a subsidiary of the Group has established more than 70 branches throughout the nation, its over 6,000 employees, has spared no efforts to participate all kinds of social welfare activities. CE Dongli, a subsidiary of Sino-i, was presented with the Responsible Brand Award at the 5th China Charity Festival jointly organized by several mainstream media in 2015. 2015 is the third year of Sino-i's micro public welfare campaign launching more than 30 public welfare projects, which attracted over tens of thousands participants nationwide. Sino-i not only performed its corporate social responsibilities but had fun and attained achievement. Sino-i is dedicated to make a good effect on every micro public welfare project, whether sending holiday greetings to the children in the China Rehabilitation Center (國家康復中心) or donating equipment rooms to hillside schools, reverently and intently with a thankful heart all the time.

Together with the community and community organizations, the Group is willing to show our concerns with love and care and continues to make a contribution to the China's social development.

Corporate Social Responsibility

ENVIRONMENTAL PROTECTION

The Group strives to minimize the impact its business operations pose to the environment, and implements policies on environmental management and energy conservation. The Group is strongly committed to provide IT application services for SMEs in the PRC and pushed forward the application of information technology by enterprises, in order to promote awareness of environmental protection among its customers, suppliers and society. The Group engages participants from different walks of life with the aim of conserving the Earth's precious resources and creating a greener environment.

"Green office and low carbon lifestyle", which is actively initiated by the Group, encourages employees to use its best effort to save electricity, water, papers, and office supplies, prevent extravagance and waste, enhance the awareness of resources conservation, responsibility and environmental protection to create a good atmosphere of energy conservation and emission reduction.

CARE FOR STAFF

Staff is the most important resource and wealth of the Group. Upholding the philosophy of people-oriented and focusing on the target of "enterprises accompanying the growth of staff", the Group has been actively improving its management in the protection of staff's rights, occupational health and spiritual and cultural work of the staff.

The Group has strictly abided by labour laws, regulations and system where the enterprises are located and signed labour contract with the employees pursuant to law and paying social insurance contributions as scheduled. It also standardizes remuneration management to achieve a reasonable income growth of basic level employees.

The Group insists on the principles of fairness and impartiality. In order to build a platform for every employee to work or start business, the recruitment and use of staff recruitment efforts is based on capacity requirements. We have strictly complied with the laws and regulations regarding the protection to workers to improve continuously the working environment and working conditions for staffs; and offer equal and competitive compensation and benefits as well as equal opportunities for career development to every employee.

INTEGRITY AND COMPLIANCE

When building its outstanding reputation, the Group had abided by the conviction of compliance with the law and required personnel at all levels of the Group to strictly adherence to industry standards and provide comprehensive corporate governance ability in compliance with the law.

For the government, the Group makes its tax payments and complied with national laws and government regulatory requirement; for the shareholders, the Group abides by professional ethics to maintain shareholders' equity, protects the interests of small and medium investors and standardizes information disclosure; for our customers, the Group protects basic rights of the customers, respect customers' privacy, strictly prohibits misleading price and fraud, actively responds to the complaints, provides customers with safe, high-quality products and services; for our employees, the Group complies with labor regulations on equal employment, remuneration, social insurance, overtime, paid leave, occupational health and safety, etc., and create a better working environment to promote career development of the employees; for our partners, the Group complies with industry standards and business ethics, abide by business commitments to carry out fair competition; and for our suppliers, the Group monitors the quality of the suppliers by checking their operating licences and other certificates to manage any risks that might be caused by product default of the suppliers.

During the year, the Group had no serious violation of or non-compliance with applicable laws and rules. In the meantime, the Group will further enhance the awareness of integrity and compliance in all aspects to increase its level of scrutiny, and promote the healthy and stable development of the businesses.

Report of the Directors

The Board herein present their report and the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the Group was principally engaged in culture and media services, property development and corporate IT application services.

SEGMENT INFORMATION

Particulars of the Group's turnover and segment information for the year are set out in notes 5 and 6 to the financial statements respectively.

BUSINESS REVIEW

A fair review of the Group's business during the year, description of principal risks and uncertainties that the Group may be facing and the probable future business development of each segment of the Company are provided in the Management Discussion and Analysis section on pages 16 to 40 of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 48 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2015 are provided in the Management Discussion and Analysis section. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Five-Year Financial Summary on page 166 of this annual report. In addition, discussions on the Group's environmental policies, relationships with its consumers and employees and compliance with relevant laws and regulations which have a significant impact on the Group are all contained in the Corporate Social Responsibility section on pages 41 to 42.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 76.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 166.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates as at 31 December 2015 are set out in notes 16 and 17 to the financial statements respectively.

Report of the Directors

BANK AND OTHER BORROWINGS AND FINANCING

Details of the bank and other borrowings and financing of the Group as at 31 December 2015 are set out in notes 29 and 31 to the financial statements respectively.

SHARE CAPITAL

During the year, details of the movements in share capital of the Company are set out in note 34 to the financial statements.

RESERVES

During the year, details of the movements in the reserves of the Company and the Group are set out in note 36 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the amount of the Company's reserves available for distribution was approximately HK$528.2 million. In addition, the Company's share premium account with a balance of HK$965.9 million may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to the five largest customers for the year ended 31 December 2015 accounted for less than 30% of the Group's total turnover.

For the year ended 31 December 2015, the percentage of purchase attributable to the Group's five largest suppliers was 77.55% with the largest supplier accounted for 70.28%.

Other than Ms. Liu Rong, a director of the Company, who gains control in 廣東大地電影院線股份有限公司 (previously known as 廣東大地電影院線有限公司) which is one of the five largest suppliers of the Group in 2015, at no time during the year have the directors, their close associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in the Group's five largest suppliers or customers.

DONATIONS

For the year ended 31 December 2015, the Company made charitable donations and other donations amounting to approximately HK$95,500.

DIRECTORS' EMOLUMENTS

Details of directors' emoluments are set out in note 42 to the financial statements. Mr. Hu Bin agreed to waive emoluments of approximately HK$24,000 in respect of the year ended 31 December 2015. Save as disclosed above, none of the directors have waived or agreed to waive any emoluments in respect of the year ended 31 December 2015.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2015, none of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

Report of the Directors

PENSION SCHEME

Details of retirement benefit plans in respect of the year are set out in note 41 to the financial statements.

DIRECTORS

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

Mr. Yu Pun Hoi *(Chairman)*
Ms. Chen Dan
Ms. Liu Rong
Mr. Wang Gang#
Mr. Lam Bing Kwan#
Prof. Jiang Ping*
Mr. Hu Bin* (resigned on 3 February 2016)
Mr. Lau Yip Leung*

Non-executive directors
* Independent non-executive directors

The Company has received annual confirmation from each of the existing independent non-executive directors confirming his independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the Company considers that such directors are independent to the Company.

In accordance with Bye-law 99 of the Company's Bye-Laws ("Bye-Laws"), Mr. Wang Gang and Mr. Lam Bing Kwan shall retire at the forthcoming annual general meeting ("AGM") and, being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical Details of Directors

Executive Directors

Mr. Yu Pun Hoi, aged 57, holding a degree of Doctor of Philosophy conferred by Peking University, joined the Board in September 2000. Mr. Yu is the chairman of the Board, the chairman of executive committee and nomination committee of, and a controlling shareholder of the Company.

Mr. Yu is also the chairman of the board of director and nomination committee of Sino-i, and a director of a number of subsidiaries of the Company.

Ms. Chen Dan, aged 47, graduated from Beijing Finance & Trade College with a Bachelor degree in Trade & Economics, and obtained a degree of EMBA in China Europe International Business School, and is also a qualified lawyer in the PRC.

Ms. Chen joined the Group in October 2000. In February 2006, Ms. Chen has been appointed as an executive director and executive committee member of the Company. In September 2011, Ms. Chen has been appointed as a general manager of the Company. In March 2012, Ms. Chen has been appointed as a member of nomination committee of the Company.

Ms. Chen is also an executive director, nomination committee member and general manager of Sino-i, and a director of a number of subsidiaries of the Company and Sino-i.

Report of the Directors

Ms. Liu Rong, aged 44, graduated from the Law School of Anhui University with a Bachelor degree in Laws, and got a Master of Laws conferred by the Law Institute of Chinese Academy of Social Science, and is also a qualified lawyer in the PRC. In addition, Ms. Liu graduated from the International MBA School of National School of Development of Peking University in 2013. Prior to joining the Group, Ms. Liu worked in Chinese government departments and law firms.

Ms. Liu joined Sino-i group in April 2002 and has been appointed as an executive director and executive committee member of the Company in March 2009. Ms. Liu is also responsible for the businesses in culture and media of the Group.

Ms. Liu is also an executive director of Sino-i, and a director of a number of subsidiaries of the Company.

Non-executive Directors

Mr. Wang Gang, aged 60, graduated from Capital University of Economics and Business in the PRC with a Bachelor degree in Business Economics, and obtained an MBA degree from National University of Singapore. Prior to joining the Group, Mr. Wang worked in the headquarters of Agricultural Bank of China for many years, and was appointed as a general manager working in the bank's branch office in Singapore.

Mr. Wang joined the Group in December 2007 and has been appointed as an executive director of the Company in March 2009. In May 2012, Mr. Wang was re-designated as a non-executive director of the Company and Sino-i.

Mr. Lam Bing Kwan, aged 66, graduated from the University of Oregon in the United States of America with a Bachelor degree in Business Administration in 1974. Prior to joining the Group, Mr. Lam had been in senior management positions in the banking and financial industry for more than 10 years.

Mr. Lam joined the Board in September 2000, and was re-designated as a non-executive director in April 2002. Mr. Lam is also a non-executive director of Sino-i, and an independent non-executive director of Lai Sun Development Company Limited, Lai Sun Garment (International) Limited, Lai Fung Holdings Limited and eForce Holdings Limited.

Independent Non-executive Directors

Prof. Jiang Ping, aged 85, graduated from Moscow University with a Bachelor degree in Laws in 1956. Prof. Jiang is the lifetime professor of China University of Political Science and Law, conducting lectures for doctoral degree class in civil and commercial laws. Prof. Jiang is also the honorary president of China Comparative Law Research Centre, the chairman of Beijing Arbitration Commission, and the honorary arbitrator in China International Economic and Trade Arbitration Commission.

In February 2006, Prof. Jiang joined the Board and has been appointed as a member of audit committee and remuneration committee of the Company. In March 2012, Prof. Jiang has been appointed as a member of nomination committee of the Company. Prof. Jiang is also an independent non-executive director, and a member of audit committee, remuneration committee and nomination committee of Sino-i.

Mr. Lau Yip Leung, aged 55, graduated from the City University of Hong Kong and awarded an honours degree of Bachelor of Arts in Accountancy in 1991, and also holds an MBA conferred by the University of Hull, UK. Mr. Lau is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Institute of Chartered Accountants in England and Wales, and a fellow practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau started his public practice business in 1998, and has been a partner of Messrs. Fung Lau & Company, Certified Public Accountants, since October 2000.

Mr. Lau joined the Board in May 2006 and is also a member of audit committee and remuneration committee of the Company. In March 2012, Mr. Lau has been appointed as a member of nomination committee of the Company. Mr. Lau is appointed as the chairman of audit committee of the Company in September 2013.

Report of the Directors

Biographical Details of Senior Management

Mr. Xue Bo Ying (aged 47)
General Manager
Nan Hai Development Limited

General Manager
深圳半島城邦房地產開發有限公司 (The Peninsula Shenzhen Property Development Co., Ltd.)

Mr. Xue graduated from Huazhong University and obtained a Master degree in architecture from Tsinghua University, and is a certified first-level architect and a certified town planner in the PRC. Prior to joining the Group, Mr. Xue worked in such senior positions as deputy general manager, senior architect and architectural design director in a number of corporations, and also worked in Guangzhou City Construction Commission.

Mr. Xue joined the Group in January 2006 as an architectural design director, responsible for overall architectural design of various property projects of the Group in the PRC. In February 2009, Mr. Xue was appointed as an executive deputy general manager of Nan Hai Development Limited ("NHD"), a wholly-owned subsidiary of the Company, and was promoted to general manager of NHD and appointed as a general manager of 深圳半島城邦房地產開發有限公司 (The Peninsula Shenzhen Property Development Co., Ltd.) in July 2010.

Mr. Xue is also a member of executive committee of the Company, and a director of a number of subsidiaries of the Company.

Ms. Yu Xin (aged 39)
General Manager
廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited)

Ms. Yu has over 10 years' experience in financial management in addition to her in-depth experience and knowledge in media and culture sector. Prior to joining the Group, Ms. Yu was a director of China region of Emile Woolf International Limited.

Ms. Yu joined the Company in January 2011 in the position of controller in fund management department. Ms. Yu was transferred to 廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited) ("Dadi Construction"), a subsidiary of the Company, in August 2011 in the position of deputy general manager, and was then promoted to executive deputy general manager in December 2013, and further promoted to general manager in February 2015, responsible for daily operation management of Dadi Construction.

Ms. Yu is also a member of executive committee of the Company, and a director of a number of subsidiaries of the Company.

Mr. Chen Ming Fei (aged 39)
General Manager
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

General Manager
北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited)

Mr. Chen has more than 10 years' sales, and possesses with acute insight in IT business, and has extensive and professional experiences in product creation, business strategy planning and business management. Prior to joining Sino-i group, Mr. Chen worked in Vorwerk of Co. KG, a German company.

Report of the Directors

In 2000, Mr. Chen joined CE Dongli, and was appointed as a national commercial director, sales deputy general manager, executive deputy general manager and business general manager. In January 2012, Mr. Chen was promoted to a general manager, responsible for operation management of CE Dongli. Mr. Chen was also the general manager of Xinnet, responsible for operation management of Xinnet. Mr. Chen is also a director of a number of subsidiaries of Sino-i.

Mr. Chen is also a member of executive committee of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

The Company

Long position in shares in issue

	Number of shares of HK$0.01 each				
Name of Director	**Personal interest**	**Corporate interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Yu Pun Hoi ("Mr. Yu")	–	36,096,430,679 *(Note 1)*	–	36,096,430,679	52.58%
Chen Dan	32,000,000	–	–	32,000,000	0.05%

Note:

1. These 36,096,430,679 shares were collectively held by Rosewood Assets Ltd., Pippen Limited, Staverley Assets Limited and First Best Assets Limited, companies indirectly wholly owned by Mr. Yu through Dadi Holdings Limited, a company wholly owned by Mr. Yu.

Associated Corporations

As disclosed above, Mr. Yu is entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares of the associated corporations of the Company within the meaning of Part XV of the SFO. Sino-i is a company whose shares are listed on the Stock Exchange, and is an associated corporation of the Company within the meaning of Part XV of the SFO. As at 31 December 2015, the interests of the directors of the Company in shares and underlying shares of Sino-i were as follows:

Report of the Directors

Sino-i

Long position in shares in issue

	Number of shares				
Name of Director	Personal interest	Corporate interest	Family interest	Total interest	Approximate percentage holding
Yu Pun Hoi	–	12,515,795,316 *(Note 1)*	–	12,515,795,316	62.85%

Note:

1. These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of the Company. Mr. Yu was taken to be interested in these shares by virtue of his controlling interests in shares of the Company.

Save as disclosed above, as at 31 December 2015, none of the directors nor chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

SHARE OPTION SCHEME

On 28 May 2012, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board.

Since the adoption of the Scheme and during the year ended 31 December 2015, no share options have been granted under the Scheme by the Company.

A summary of the Scheme is as follows:

(1) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which any member of the Group holds any equity interests (the "Invested Entity").

Report of the Directors

(2) Participants

The participants include:

a. any employee (whether full time or part time employee, including any executive directors but not any non-executive director) of the Company, its subsidiaries and any Invested Entity;

b. any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

c. any supplier of goods or services to any member of the Group or any Invested Entity;

d. any customer of the Group or any Invested Entity;

e. any person or entity that provides research, development or technological support or other services to the Group or any Invested Entity;

f. any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

g. any ex-employee who has contributed or may contribute to the development and growth of the Group and any Invested Entity.

(3) Maximum number of shares

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme must not in aggregate exceed 10% of the relevant class of shares of the Company in issue as at the date of approval of the Scheme and the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the relevant class of shares of the Company in issue from time to time. No share options may be granted under the Scheme and any other schemes of the Company if this will result in such limit exceeded. As at the date of this report, the number of shares available for issue in respect thereof is 6,864,553,579 shares representing approximately 10% of the total number of shares of the Company in issue.

(4) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the share options granted to each participant under the Scheme and any other schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the relevant class of shares of the Company in issue. Any further grant of share options above this limit shall be subject to certain requirements as stipulated in the rules of the Scheme and to the relevant rules under the Listing Rules.

Report of the Directors

(5) The period within which the shares must be taken up under a share option

The period within which the shares must be taken up a share option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant share option.

(6) Minimum period for exercising a share option

The Board may at its discretion determine the minimum period for which a share option must be held before it can be exercised.

(7) Acceptance and payment on acceptance

The share option shall be deemed to have been accepted when the duplicate letter duly signed by the grantee, together with a remittance of HK$1.00 in favour of the Company by way of consideration for the grant thereof, is received by the Company. To the extent that the offer is not accepted within 28 days in the manner aforesaid, it will be deemed to have been irrevocable declined and lapsed automatically.

(8) Basis of determining the exercise price

The exercise price for shares under the Scheme shall be a price determined by the directors, but it must not be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

(9) Remaining life of the Scheme

The Scheme will remain in force for a period of 10 years commencing on 29 May 2012 up to 28 May 2022.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Except for the Scheme disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than the statutory compensation.

MANAGEMENT CONTRACTS

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

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the paragraph "Continuing Connected Transactions" and "Related Party Transactions" below, no contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which any directors of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' INDEMNITIES

Pursuant to the Company's bye-laws (the "Bye-Law"), save and except so far as the provisions of the Bye-Law shall be avoided by any provisions of the statutes, the directors, managing directors, alternate directors, auditors, secretary and other officers for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own wilful neglect or default, fraud and dishonesty respectively, and none of them shall be answerable for the acts, receipts, neglects or defaults of any other of them, or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects of the Company shall be lodged or deposited for safe custody, or for the insufficiency or deficiency of any security upon which any moneys of the Company shall be placed out or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, except as the same shall happen by or through their own wilful neglect or default, fraud and dishonesty respectively.

The Bermuda Companies Act permits a company to exempt and indemnify its directors and officers from liability in the following terms:

- A company may in its bye-laws or in any contract or arrangement between the company and any officer, or any person employed by the company as auditor, exempt such officer or person from, or indemnify him in respect of, any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence, default, breach of any duty or breach of trust of which the officer or person may be guilty in relation to the company or any subsidiary thereof.

- Any provision, whether contained in the bye-laws of a company or in any contract or arrangement between the company and any officer, or any person employed by the company as auditor, exempting such officer or person from, or indemnifying him against any liability which by virtue of any rule of law would otherwise attach to him in respect of any fraud or dishonesty of which he may be guilty in relation to the company shall be void.

This indemnification may also cover any liabilities which the officer incurs in defending any proceedings (criminal or civil) where relief is granted to him, where he is acquitted, or where judgement is given in his favour. A company may advance money to an officer for the costs of defending proceedings, on the condition that the advance shall be repaid if any allegation of fraud or dishonesty is proven.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

Report of the Directors

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which any controlling shareholder had a material interest subsisted during the year ended 31 December 2015.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, no contract of significance has been entered into among the Company or any of its subsidiaries and the controlling shareholders or any of their subsidiaries during the year ended 31 December 2015.

CHANGE IN THE BOARD OF DIRECTORS

The change in the Board since the date of the Company's 2015 interim report are set out below:

Mr. Hu Bin was resigned as an independent non-executive director, the chairman of the remuneration committee, and the member of the audit committee and the nomination committee of the Company with effect from 3 February 2016.

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

During the year ended 31 December 2015, there was no change to information which is required to be disclosed and has been disclosed by the directors pursuant to rules 13.51(2) of the Listing Rules.

REMUNERATION POLICY

The Company remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave and etc. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. In general, salary review is conducted annually.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code").

Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 December 2015, those persons (other than directors and chief executive of the Company) who had interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	*Notes*
Dadi Holdings Limited	Corporate interest	36,096,430,679	52.58%	1
Rosewood Assets Ltd.	Beneficial interest	7,668,000,210	11.17%	1
Pippen Limited	Beneficial interest	14,830,245,497	21.60%	1
Staverley Assets Limited	Beneficial interest	4,893,197,974	7.12%	1
First Best Assets Limited	Beneficial interest	8,704,986,998	12.68%	1
Kung Ai Ming	Corporate interest	3,811,819,898	5.55%	2
Yu Ben Hei	Corporate interest	3,742,493,498	5.45%	2
Macro Resources Ltd.	Beneficial interest	3,742,493,498	5.45%	2
CITIC Capital Holdings Limited	Corporate interest	10,100,000,000	14.71%	3
CITIC Capital Credit Limited	Security interest	10,100,000,000	14.71%	3
Lim Siew Choon	Corporate interest	8,819,673,777	12.85%	4
Empire Gate Industrial Limited	Beneficial interest	5,514,986,997	8.03%	4
Lee Tat Man	Security interest	7,700,000,000	11.22%	

Notes:

1. Rosewood Assets Ltd., Pippen Limited, Staverley Assets Limited and First Best Assets Limited are companies indirectly wholly owned by Mr. Yu through Dadi Holdings Limited, a company wholly owned by Mr. Yu. Their interests in shares are disclosed as the corporate interests of Mr. Yu above.

2. Macro Resources Ltd. is held as to 50% each by Ms. Kung Ai Ming and Mr. Yu Ben Hei, the son of Mr. Yu. Its interest in 3,742,493,498 shares was included as interest held by Ms. Kung Ai Ming. Ms. Kung Ai Ming owns interest of 69,326,400 shares through Redmap Resources Limited, her wholly-owned Company.

3. CITIC Capital Credit Limited is a wholly-owned subsidiary of CITIC Capital Holdings Limited. CITIC Capital Holdings Limited was taken to be interested in those shares in which CITIC Capital Credit Limited held a security interest.

4. Empire Gate Industrial Limited is wholly owned by Mr. Lim Siew Choon. Its interest in shares was included as interest held by Mr. Lim Siew Choon.

Report of the Directors

Save as disclosed above, as at 31 December 2015, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group are set out in note 47 to the financial statements.

Save for the transactions mentioned in the below section headed "Continuing Connected Transactions" which are subject to the disclosure and annual review requirements under Chapter 14A of the Listing Rules and are subject to all connected transaction requirements when any of the relevant the agreements is renewed or its terms are varied pursuant to Rule 14A.60 of the Listing Rules, certain transactions mentioned under the note also constituted connected transactions or continuing connecting transactions as defined in Chapter 14A of the Listing Rules but are exempt from the disclosure requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the financial year under review, certain subsidiaries of the Company entered into certain continuing connected transactions (particulars of which have been disclosed in the announcement dated 19 August 2015 ("the Announcement") issued by the Company). As per the Listing Rules, all such continuing connected transactions are required to be disclosed in the annual report of the Company (all capitalized terms used hereinbelow shall have the same meanings used in the Announcement unless otherwise the contexts hereinbelow specify):

1. On 1 January 2009, Dadi Cinema entered into a cooperation agreement with GD Cinema Circuit, pursuant to which GD Cinema Circuit shall supply Dadi Cinema various motion pictures and license Dadi Cinema to project such motion pictures in its digital cinemas in the PRC for a fixed term of five (5) years, having a provision of automatic extension of one (1) year upon the end of the fixed term, i.e. a total period of six (6) years, from 1 January 2009 to 31 December 2014. Upon expiration of the extended term under the cooperation agreement on 31 December 2014, Dadi Cinema and GD Cinema Circuit entered into the Dadi Cinema Cooperation Agreement on 1 January 2015, for a fixed term of five (5) years, having a provision of automatic extension of one (1) year upon the end of the fixed term, i.e. a total period of six (6) years, from 1 January 2015 to 31 December 2020.

   Major terms: (1) Provision of motion pictures and advisory services

   (a) GD Cinema Circuit shall supply various motion pictures to Dadi Cinema from time to time and license Dadi Cinema to project such motion pictures in digital cinemas operated by Dadi Cinema in the PRC during the Term; and

   (b) GD Cinema Circuit shall provide advisory services in respect of interior design and operations of each digital cinema operated by Dadi Cinema.

   (2) Sharing of Net Box Office

   (a) During the period from 1 January 2015 to 30 June 2015:

   (i) Licensed Motion Picture: the Net Box Office of each Licensed Motion Picture shall be distributed in the following sequences:

   (aa) pay all license fees payable to the distributor for obtaining a license to sub-license the Licensed Motion Picture to Dadi Cinema for projection of the Licensed Motion Picture in its cinemas; and

Report of the Directors

(bb) the whole portion of the Net Box Office after deduction of the amount in (aa) shall belong to Dadi Cinema, i.e. the GD Cinema Circuit shall not be entitled to share the Net Box Office of the Licensed Motion Picture; and

(ii) Fixed-Term Motion Picture: the sharing ratio of the Net Box Office of all Fixed Term Motion Pictures between GD Cinema Circuit and Dadi Cinema is 1:1, i.e. the Net Box Office is equally shared between GD Cinema Circuit and Dadi Cinema (however, GD Cinema Circuit shall be solely responsible for all costs and expenses incurred in obtaining a fixed-term license to sub-license each Fixed-Term Motion Picture to Dadi Cinema for projection in its cinemas).

(b) During the period from 1 July 2015 till the end of the Term:

(i) Licensed Motion Picture: the Net Box Office of each Licensed Motion Picture shall be distributed in the following sequences:

(aa) pay all license fees payable to the distributor for obtaining license to sub-license the Licensed Motion Picture to Dadi Cinema for projection of the License Motion Picture in its cinemas;

(bb) pay 1% of the Net Box Office of the Licensed Motion Picture to GD Cinema Circuit for supplying and licensing the Licensed Motion Picture and providing advisory services and analyses; and

(cc) the whole portion of the Net Box Office of the Licensed Motion Picture after deduction of the amounts in (aa) and (bb) shall belong to Dadi Cinema.

(ii) Fixed-Term Motion Picture: the sharing ratio of the Net Box Office of all Fixed-Term Motion Pictures between GD Cinema Circuit and Dadi Cinema is 1:1, i.e. the Net Box Office is equally shared between GD Cinema Circuit and Dadi Cinema (however, GD Cinema Circuit shall be solely responsible for all costs and expenses incurred in obtaining a fixed-term license to sub-license each Fixed-Term Motion Picture to Dadi Cinema for projection in its cinemas).

In addition to the main terms as mentioned above, Dadi Cinema shall give priority to GD Cinema Circuit in respect of publication of advertisements in the cinemas of Dadi Cinema (i.e. it will be an income for Dadi Cinema) on the condition that the terms and conditions offered by GD Cinema Circuit are at least the same as those offered by other clients of Dadi Cinema.

2. On 4 February 2009, Dadi Development entered into a cooperation agreement with GD Cinema Circuit, pursuant to which GD Cinema Circuit shall supply Dadi Development various motion pictures and license Dadi Development to project such motion pictures in its digital cinemas in the PRC for a fixed term to 31 December 2013, having a provision of automatic extension of one (1) year upon the end of the fixed term, i.e. from 4 February 2009 to 31 December 2014. Upon expiration of the extended term under the cooperation agreement on 31 December 2014, Dadi Development and GD Cinema Circuit entered into the Dadi Development Cooperation Agreement on 1 January 2015, for a fixed term of five (5) years, having a provision of automatic extension of one (1) year upon the end of the fixed term, i.e. a total period of six (6) years, from 1 January 2015 to 31 December 2020.

Report of the Directors

Major terms:

(1) Provision of motion pictures and advisory services

(a) GD Cinema Circuit shall supply various motion pictures to Dadi Development from time to time and license Dadi Development to project such motion pictures in digital cinemas operated by Dadi Development in the PRC during the Term; and

(b) GD Cinema Circuit shall provide advisory services in respect of interior design and operations of each digital cinema operated by Dadi Development.

(2) Sharing of Net Box Office

(a) During the period from 1 January 2015 to 30 June 2015:

(i) Licensed Motion Picture: the Net Box Office of each Licensed Motion Picture shall be distributed in the following sequences:

(aa) pay all license fees payable to the distributor for obtaining a license to sub-license the Licensed Motion Picture to Dadi Development for projection of the Licensed Motion Picture in its cinemas; and

(bb) the whole portion of the Net Box Office after deduction of the amount in (aa) shall belong to Dadi Development, i.e. the GD Cinema Circuit shall not be entitled to share the Net Box Office of the Licensed Motion Picture; and

(ii) Fixed-Term Motion Picture: the sharing ratio of the Net Box Office of all Fixed Term Motion Pictures between GD Cinema Circuit and Dadi Development is 1:1, i.e. the Net Box Office is equally shared between GD Cinema Circuit and Dadi Development (however, GD Cinema Circuit shall be solely responsible for all costs and expenses incurred in obtaining a fixed-term license to sub-license each Fixed-Term Motion Picture to Dadi Development for projection in its cinemas).

(b) During the period from 1 July 2015 till the end of the Term:

(i) Licensed Motion Picture: the Net Box Office of each Licensed Motion Picture shall be distributed in the following sequences:

(aa) pay all license fees payable to the distributor for obtaining license to sub-license the Licensed Motion Picture to Dadi Development for projection of the License Motion Picture in its cinemas;

(bb) pay 1% of the Net Box Office of the Licensed Motion Picture to GD Cinema Circuit for supplying and licensing the Licensed Motion Picture and providing advisory services and analyses; and

(cc) the whole portion of the Net Box Office of the Licensed Motion Picture after deduction of the amounts in (aa) and (bb) shall belong to Dadi Development.

(ii) Fixed-Term Motion Picture: the sharing ratio of the Net Box Office of all Fixed-Term Motion Pictures between GD Cinema Circuit and Dadi Development is 1:1, i.e. the Net Box Office is equally shared between GD Cinema Circuit and Dadi Development (however, GD Cinema Circuit shall be solely responsible for all costs and expenses incurred in obtaining a fixed-term license to sub-license each Fixed-Term Motion Picture to Dadi Development for projection in its cinemas).

Report of the Directors

In addition to the main terms as mentioned above, Dadi Development shall give priority to GD Cinema Circuit in respect of publication of advertisements in the cinemas of Dadi Development (i.e. it will be an income for Dadi Development) on the condition that the terms and conditions offered by GD Cinema Circuit are at least the same as those offered by other clients of Dadi Development.

3. On 1 January 2014, Oristar entered into the Oristar Cooperation Agreement with GD Cinema Circuit, pursuant to which Oristar shall use its reasonable endeavours to sale the Projection Equipment (or any part of it) (including installation and training) to GD Cinema Circuit upon fulfillment of certain conditions for coping with its business development during a fixed term of six (6) years, from 1 January 2014 to 31 December 2019.

   Major terms: (1) Undertakings of Oristar

   Oristar shall use its reasonable endeavours to provide the Projection Equipment (or any part of it) (including appropriate installation and training) for GD Cinema Circuit within a reasonable period of time for the purpose of coping with GD Cinema Circuit's business development.

   (2) Undertakings of GD Cinema

   GD Cinema Circuit shall purchase the Projection Equipment (or any part of it) from Oristar on the conditions that (a) the selling price of the Projection Equipment (or any part of it) quoted by Oristar shall not be higher than the selling price of (i) such Projection Equipment (or any part of it) or (ii) any other compatible equipment, apparatus or system, quoted by other suppliers obtained by GD Cinema Circuit; and (b) the quality of the Projection Equipment (or any part of it) (including but not limited to functionality and operation) and after-sales service (including but not limited to maintenance and repair) quoted by Oristar shall not be lower and less than those quoted by other suppliers obtained by GD Cinema Circuit.

On 19 August 2015, Ms. Liu, a director of the Company, who is a connected person of the Company under Rule 14A.07 of the Listing Rules, (1) acquired 80% of Dadi Century Beijing (the remaining 20% has been owned by Mr. YCH, an associate of Mr. YPH, who is a connected person of the Company under Rule 14A.07 of the Listing Rules) which directly owns 85% equity interest of GD Cinema Circuit; and (2) gained an effective control of 15% equity interest of GD Cinema Circuit through Dadi Legend which is an associate of Ms. Liu. Given the foregoing, Ms. Liu has gained control in GD Cinema Circuit, and each of Dadi Century Beijing and GD Cinema Circuit has become an associate of Ms. Liu pursuant to Rule 14A.12 of the Listing Rules. As a result, the continuing transactions contemplated under the Dadi Cinema Cooperation Agreement, the Dadi Development Cooperation Agreement and the Oristar Cooperation Agreement have become continuing connected transactions effect from 19 August 2015.

The annual cap under Rule 14A.53 shall not be applied for the continuing connected transactions contemplated under the Dadi Cinema Cooperation Agreement, the Dadi Development Agreement and the Oristar Cooperation Agreement as such transactions have already been taken place since 1 January 2009, 4 February 2009 and 1 January 2014 under the Dadi Cinema Cooperation Agreement, the Dadi Development Agreement and the Oristar Cooperation Agreement respectively, i.e. before such transactions become connected transactions upon the gaining control in GD Cinema Circuit by Ms. Liu on 19 August 2015.

Report of the Directors

In respect of all continuing connected transactions contemplated under the Dadi Cinema Cooperation Agreement, the Dadi Development Cooperation Agreement and the Oristar Cooperation Agreement, all independent non-executive directors have reviewed, and confirmed that all such continuing connected transactions were entered into:

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

(2) on normal commercial terms or better; and

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

In accordance with Rule 14A.56 of the Listing Rules, the Company has engaged its auditors to report on all continuing connected transactions as mentioned above, and the auditors have issued to the Board a letter dated 30 March 2016 confirming that nothing has come to their attention that causes them to believe that all such continuing connected transactions:

(1) have not been approved by the Board;

(2) in the event that there would be any transaction involving the provision of goods or services by the Group, the transactions were not, in all material respects, in accordance with the pricing policies of the Group; and

(3) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-Laws or the law in Bermuda.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the publicly available information and to the best knowledge of the directors, the Company has maintained during the year and up to the date of this report sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the "Corporate Governance Report" on pages 65 to 73.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Lau Yip Leung, Prof. Jiang Ping and Mr. Hu Bin (resigned on 3 February 2016). The Audit Committee has reviewed with the auditor of the Company and management the accounting principles and practices adopted by the Group, the audited consolidated financial statements of the Group for the year ended 31 December 2015, and discussed the auditing, financial control, internal control and risk management systems.

Report of the Directors

AUDITOR

The financial statements for the year ended 31 December 2015 were audited by BDO Limited ("BDO"). A resolution will be proposed at the forthcoming AGM of the Company to re-appoint BDO as auditor of the Company.

STRUCTURED AGREEMENTS

Reference is made to the joint announcements of the Company and its listed subsidiary, Sino-i, dated 15 November 2013, 6 December 2013 and 31 July 2015 (collectively, the "Announcements") in relation to a discloseable transaction under which XWHT, an indirect wholly-owned subsidiary of Sino-i, by means of the Structured Agreements, shall be entitled to control over Xinnet's management, businesses and operations in substance in addition to recognize and receive all economic benefits of the business of Xinnet. All capitalized terms used hereinbelow shall have the same meanings as those defined in the Announcements unless otherwise stated in this annual report.

The Board hereby provides updated information in relation to the business operations of Xinnet through the Structured Agreements and the implications thereof as follows:

(a) Particulars and business activities of Xinnet:

Xinnet is a limited liability company established in the PRC and a wholly-owned subsidiary of ZQHT. Mr. Jiang is a PRC citizen, and an ultimate beneficial owner of 100% equity interest of ZQHT. Xinnet's main businesses are provision of virtual server hosting and maintenance services, provision of email services and registration of domain names in the PRC, which are all regarded as a kind of internet content services. Xinnet has obtained a valid licence for providing internet content services, issued by 北京市通信管理局 (Beijing Communications Administration).

(b) Summary of main terms of the Structured Agreement:

(1) Loan Agreement (dated 15 November 2013):

(i) Parties: XWHT as lender; and Mr. Jiang as borrower

(ii) Loan amount: RMB1,500,000

(iii) The loan is interest free, and has no maturity date for repayment. Mr. Jiang shall have no right to effect any early repayment unless having the written consent from XWHT.

(2) Equity Pledge Agreement (dated 15 November 2013):

(i) Parties: XWHT as pledgee; ZQHT as pledgor; and Xinnet

(ii) Assets pledged: 80% equity interest of Xinnet, free from encumbrance, as first fixed charge to XWHT as security.

(iii) ZQHT shall not dispose of the pledged 80% equity interest to any other party without obtaining the written approval of XWHT.

Report of the Directors

(3) *Management and Technology Services Agreement (dated 15 November 2013):*

(i) Parties: XWHT; and Xinnet

(ii) XWHT shall provide certain exclusive management and technology services to Xinnet.

(iii) The Management and Technology Services Agreement is solely terminable by XWHT but not Xinnet. In return for the provision of the exclusive services, XWHT shall be entitled to receive a service fee which is equivalent to the net profit of Xinnet as per its yearly audited financial statements.

(4) *Option Agreement (dated 15 November 2013):*

(i) Parties: XWHT as grantee; ZQHT as grantor; and Xinnet

(ii) ZQHT shall grant an exclusive option to XWHT at an option price of RMB1.00 to acquire up to 100% equity interest in the registered capital of Xinnet (no limit on the number of times the option may be exercised by XWHT). The total subscription price for 100% equity interest of Xinnet shall be equivalent to the total loan amount (being RMB1,500,000) under the Loan Agreement, and the subscription price for each option exercised shall be paid by direct set off on a dollar-for-dollar basis against the outstanding loan amount under the Loan Agreement.

(5) *Power of Attorney (dated 15 November 2013):*

(i) Parties: ZQHT; and XWHT

(ii) It is an irrevocable power of attorney under which XWHT shall be the sole attorney of ZQHT. XWHT shall have full power, without having to obtain ZQHT's any further consent or approval, to exercise such rights in Xinnet as (a) all shareholder's rights and voting rights in accordance with the corporate memorandum of Xinnet; and (b) rights of nomination and appointment of legal representative, chairman of the board, directors, general manager and other senior management personnel of Xinnet.

The Loan Agreement, the Equity Pledge Agreement, the Management and Technology Services Agreement, the Option Agreement and the Power of Attorney shall be executed simultaneously with each other.

(c) The significance of business activities of Xinnet to the Group:

By means of the Structured Agreements, the Group may engage in the business of virtual server hosting and maintenance in the PRC and such business may widen the spectrum of services of the Group. The widened services are expected to lead the Group to having not only a stronger foothold against its competitors in the PRC but also an achievement of efficiency and cost-effectiveness in provision of virtual server hosting and maintenance services to the customers of the Group.

Report of the Directors

(d) The financial impact of the Structured Agreements on the Group:

XWHT is a parent undertaking of Xinnet as XWHT has the right to control Xinnet by virtual of the Structured Agreements. As a result, the financial position and operating results of Xinnet and its subsidiary shall be consolidated in the XWHT's financial statements from the date on which XWHT has gained control in Xinnet in accordance with the HKFRS.

During the year, revenue was approximately HK$122, 828,000 (2014: approximately HK$120,742,000); loss before income tax was approximately HK$35,727,000 (2014: approximately HK$52,340,000); and total assets were approximately HK$77,889,000 (2014: approximately HK$119,210,000) have been consolidated into the Group's financial statement.

The decrease in loss before income tax was mainly due to boosting the sales of those self-developed products having higher gross profit margin, resulting in a significant increase in gross profit correspondingly.

The decrease in total assets is mainly due to repay bank borrowings using the cash collected from receivables and the depreciation and amortization of non-current assets.

(e) The extent to which the Structured Agreements relate to requirement of applicable laws, rules and regulations other than the foreign ownership restriction:

In view of the PRC legal opinion, (i) the Structured Agreements have complied with the laws, rules and regulations in the PRC, and complied with the respective articles of association of XWHT, ZQHT and Xinnet; (ii) there is no law, rule or regulation specifically disallows foreign investors from using any structured agreement to gain control of or operate the business of Xinnet; and (iii) the Structured Agreements would not be deemed as concealing illegal intentions with a lawful form and void under the PRC contract law.

(f) Reasons for using the Structured Agreements and the risks associated therewith including actions taken to mitigate such risks:

Xinnet's main businesses are classified as value-added telecommunication services which is a kind of business restricted to foreign investors in the PRC. By virtue of 外商投資電信企業管理規定 (Provisions on the Administration of Foreign Investment Telecommunication Enterprises), foreign investors shall not have more than 50% in the equity interest of a PRC enterprise providing value-added telecommunication services.

The main businesses of Xinnet are considered as value-added businesses which widen the spectrum of services of the Group for its customers and in turn enhance the Group's competitiveness in the PRC market. As the Group is facing to the aforesaid restriction in equity interest of a PRC company, the Structured Agreements shall be regarded as a strategic arrangement by which the Group may fully and effectively control Xinnet, which in turn enables the Group to achieve the aforesaid purposes. In addition, the Structured Agreements offer flexibility to the Group in control of Xinnet — (a) control of its management, businesses and operations; and (b) owning of its 100% equity interest by exercising the call option under the Option Agreement when the restriction in having more than 50% equity interest of a PRC enterprise by foreign investors is removed or repealed.

Report of the Directors

In addition to the foreign ownership restriction under the prevailing applicable laws and regulations, the Structured Agreements do not violate any PRC laws, rules and regulations, and the execution of the Structured Agreements by the parties thereto does not violate any article of the contracting parties; and such prevailing provision and notice issued by the PRC authorities as (i)《外商投資電信企業管理規定》 (Provisions on the Administration of Foreign Investment Telecommunication Enterprises) (amended in 2008) and《外商投資產業指導目錄》(Catalogue for Guidance of Foreign Investment Industries) (amended in 2015) issued by the State Council of the PRC, under which foreign investor shall not have more than 50% in a corporation providing value-added telecommunication services; and (ii)《關於加強外商投資經營增值電信業務管理的通知》(Notice of Strengthened Administration of Foreign Investment in and Operation of Value-Added Telecommunication Business) issued by the Ministry of Industry and Information Technology of the PRC in July 2006 under which a local PRC company holding an internet content provider licence shall not lease, transfer or sell the licence to foreign investors in any form, or provide any assistance to foreign investors to provide internet content services in the PRC, but such provision and notice are not governing or restricting the control of a PRC company through structured agreements.

Given the foregoing, the Structured Agreements shall be regarded as valid documents binding all parties thereto as at the date of this annual report. However, if any new applicable law or regulation were enacted in the future in the PRC, the validity and enforceability of the Structured Agreements might have been affected, and as a result, the structured agreements of controlling Xinnet would have been disruptive which in turn would have affected the business of the Group.

The Ministry of Commerce of the PRC has issued some kind of consultation paper (草案徵求意見稿) in respect of a bill namely《中華人民共和國外國投資法》(Foreign Investment Law of the PRC) (the "Bill") in January 2015, which is to be enacted into an act or statute. As per sections 15 and 18 thereof, foreign investment means foreign investors directly or indirectly conduct certain investment activities, e.g. through structured agreements or trust arrangement to control a PRC company or holding equity interest of a PRC company. Any foreign investment in any business under the catalogue of restricted investment shall apply for an access permit from foreign investment authority under the State Council of the PRC as per section 27 thereof. There is no indication in the Bill that contracts under the contractual arrangement would be void.

Application for an access permit cited in the Bill could be viewed as a kind of administrative procedure rather than a prohibitive threshold, therefore, failure in obtaining the permit by fulfilling certain administrative procedures would not be very high. Mr. Jiang is not a connected person of the Group, the risk of direct conflict of interest with the Group will be very low. It is unlikely for Mr. Jiang setting up another entity conducting business having a direct competition with Xinnet's, otherwise, Mr. Jiang would not execute and procure the execution of the Structured Agreements by which Mr. Jiang has given up the businesses of Xinnet. As at the date of this annual report, the Group has not found that Mr. Jiang has carried out or involved in any business having a direct competition with the businesses of the Group. If Mr. Jiang or ZQHT breaches any obligations or undertakings under any Structured Agreements, the operations of Xinnet would not be affected as the position of the Group in controlling Xinnet has been fully secured by (a) full control of the board of directors of Xinnet; and (b) obtaining a charge of 100% equity interest in Xinnet (as per the provision of the Loan Agreement, the pledgor has further charged the remaining 20% equity interest in Xinnet as first fixed charge in favour of the pledgee in October 2014).

Since the Bill has yet been enacted into an act or statute, the sections or provisions thereof might be further modified and amended after the consultation period, it is uncertain any additional conditions imposing on foreign investors.

The Structured Agreements might be subject to scrutiny of the tax authorities in the PRC, and additional tax might be imposed, but the Group does not expect that such tax risk is high and will lead to any substantial financial impact on the Group.

Report of the Directors

(g) Material change in the Structured Agreements:

No Structured Agreement has been supplemented or modified since the date of execution of all such Structured Agreements.

(h) Unwinding of the Structured Agreements:

No Structured Agreement has been unwound since the date of execution all such Structured Agreements. None of the Structured Agreement is to be unwound until and unless the restriction on ownership by foreign investors is removed or not in force. In the event of such restriction in foreign investment is removed or not in force, XHWT will exercise its option under the Option Agreement to acquire the entire equity interest in Xinnet. Upon completion of formal acquisition of the entire equity interest in Xinnet, the Structured Agreements will then be unwound.

On behalf of the Board
Yu Pun Hoi
Chairman

Hong Kong, 30 March 2016

Corporate Governance Report

The Company is committed to maintain high corporate governance standard and unambiguous procedures to ensure the integrity, transparency and quality of disclosure in order to enhance its shareholders' value.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2015, except for the deviations from Code Provisions A.2.1 and A.4.1. Explanations for such non-compliance are provided below.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code.

Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

The Company has also established written guidelines on no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The current Board is made up of seven directors including three executive directors, two non-executive directors and two independent non-executive directors (the "INEDs"). The directors are, collectively and individually, aware of their responsibilities to the shareholders. The directors' biographical information is set out on pages 45 to 46 under the heading "Biographical Details of Directors and Senior Management". The Board consists of the following:

Executive Directors

Mr. Yu Pun Hoi *(Chairman)*
Ms. Chen Dan
Ms. Liu Rong

Non-executive Directors

Mr. Wang Gang
Mr. Lam Bing Kwan

Independent Non-executive Directors

Prof. Jiang Ping
Mr. Hu Bin (Resigned on 3 February 2016)
Mr. Lau Yip Leung

Corporate Governance Report

The overall management of the Company's businesses is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and monitoring its affairs. All directors should take decisions objectively in the best interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned senior management of the Company.

The Board has the full support of its board committees and the senior management of the Company to discharge its responsibilities.

To the best knowledge of the Company, the Board members do not have any financial, business and family or other material/relevant relationship with each other. During the year, the Board held 4 meetings.

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer (the "CEO") should be separated and should not be performed by the same individual.

The Company has not appointed a CEO. The role of the CEO is also performed by Mr. Yu Pun Hoi who is the chairman of the Company. The Board believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

During the year, the chairman held a meeting with each of the non-executive directors and independent non-executive directors of the Company and obtained independent opinions relating to affairs of the Board and the Company without the presence of other executive Directors.

Non-executive Directors

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term subject to re-election.

The non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Bye-Laws. As such, 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.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules during the year ended 31 December 2015, the Company has appointed three INEDs of whom Mr. Lau Yip Leung is a certified public accountant in Hong Kong.

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

Corporate Governance Report

Pursuant to Code Provision A.4.3, any further appointment of independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by the shareholders of the Company. Notwithstanding that Prof. Jiang Ping and Mr. Lau Yip Leung have served as an independent non-executive director of the Company for more than nine years, (i) the Board has assessed and reviewed the annual confirmation of independence based on the requirement set out in Rule 3.13 of the Listing Rules and affirmed that Prof. Jiang Ping and Mr. Lau Yip Leung remain independent; (ii) the Nomination Committee of the Company has assessed and is satisfied of the independence of Prof. Jiang Ping and Mr. Lau Yip Leung; and (iii) the Board considers that Prof. Jiang Ping and Mr. Lau Yip Leung remain independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Notwithstanding the length of their service, the Company believes that their valuable knowledge and experience in the Group's business will continue to benefit the Company and the shareholders as a whole.

Following the resignation of Mr. Hu Bin on 3 February 2016, there are currently two independent non-executive directors and members of the audit committee of the Company, while there is a vacancy for the chairman of the remuneration committee of the Company. Accordingly, as at the date of this report, the Company was temporarily unable to fulfill: (i) Rule 3.10(1) of the Listing Rules which requires the Board to have at least three independent non-executive directors; (ii) Rule 3.10A of the Listing Rules which requires the number of independent non-executive directors to be at least one-third of the Board; (iii) Rule 3.21 of the Listing Rules which requires the audit committee to have at least three members; and (iv) Rule 3.25 of the Listing Rules which requires the chairman of the remuneration committee to be an independent non-executive director; (v) Code Provision A.5.1 which stipulates that the majority of the nomination committee shall be independent non-executive directors. The Company will make efforts to identify suitable candidates to fill the vacancies of the independent non-executive directors, the chairman of remuneration committee, members of the audit committee and members of the nomination committee as soon as possible within three months from the effective date of the resignation of Mr. Hu Bin.

Directors' Training

According to the Code Provision A.6.5, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the directors.

From time to time, directors are provided with written materials to develop and refresh their professional skills on the latest development of applicable laws, rules and regulations for the purpose of assisting them in discharging their duties. The Company had received from each of the directors the confirmations on taking continuous professional training during the year.

BOARD COMMITTEES

The Board has established four board committees, namely Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee, to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities.

Executive Committee

The Company formulated written terms of reference for the Executive Committee, which consists of executive directors and senior management of the Company as follows:

Mr. Yu Pun Hoi *(Chairman of the Executive Committee)*
Ms. Chen Dan
Ms. Liu Rong
Ms. Yu Xin*
Mr. Xue Bo Ying*
Mr. Chen Ming Fei*

* Senior Management

Corporate Governance Report

The primary duties of the Executive Committee are empowered to plan, determine, approve, implement, handle, arrange, review and amend all policies, operations and internal control of the Group, ensuring that the delegation of its powers to the senior management is clearly defined, and that a transparent reporting procedural system is in place and effectively monitored.

During the year, the Executive Committee held 4 meetings, in particular, to review the financial performance of the segments in the Group and make the strategy of tapping into new business segments such as "New Media" and "Innovative Business" for the purpose of its long term development.

Audit Committee

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. During the year ended 31 December 2015, the Audit Committee consisted of all INEDs as follows:

Mr. Lau Yip Leung *(Chairman of the Audit Committee)*
Prof. Jiang Ping
Mr. Hu Bin *(Resigned on 3 February 2016)*

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reports and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company.

During the year, the Audit Committee held 2 meetings, in particular, to review with management the accounting principles and practices adopted by the Group, the audited financial statements for the year ended 31 December 2014 and the unaudited interim results for the six months ended 30 June 2015, and discussed the auditing, financial control, internal control and risk management systems.

Remuneration Committee

The Company formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Listing Rules. During the year ended 31 December 2015, the Remuneration Committee consisted of all the INEDs as follows:

Mr. Hu Bin *(Chairman of the Remuneration Committee) (Resigned on 3 February 2016)*
Prof. Jiang Ping
Mr. Lau Yip Leung

The primary duties of the Remuneration Committee is responsible for making recommendations to the Board on the establishing of formal and transparent procedures for developing remuneration policies and the remuneration packages of individual executive directors and senior management. It takes into consideration on salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

During the year, the Remuneration Committee held 1 meeting, in particular, to review and recommend to the Board the remuneration policies and the remuneration packages of the Company.

For the year ended 31 December 2015, the emoluments paid or payable to members of senior management was within the following band:

Emolument band	Number of individuals	
	2015	2014
Nil–HK$1,000,000	**2**	5
HK$1,000,001–HK$2,000,000	**1**	–

Corporate Governance Report

Nomination Committee

The Company formulated written terms of reference for the Nomination Committee in accordance with the requirements of the Listing Rules. During the year ended 31 December 2015, the Nomination Committee consisted of the directors of the Company as follows:

Mr. Yu Pun Hoi *(Chairman of the Nomination Committee)*
Ms. Chen Dan
Prof. Jiang Ping*
Mr. Hu Bin* (Resigned on 3 February 2016)
Mr. Lau Yip Leung*

* INED

The primary duties of the Nomination Committee is responsible for reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become directors, assessing the independence of INEDs, and making recommendations to the Board on relevant of appointment of directors, and review the board diversity policy annually. The Nomination Committee has the authority given by the Board to seek external professional advice in the selection and recommendation for directorship, when required, fulfilling the requirements for professional knowledge and industry experience of any proposed candidates.

During the year, the Nomination Committee held 1 meeting, in particular, to review and assessment of the independence of all INEDs of the Company; to consider and recommend to the Board for approval the list of retiring directors for re-election at the annual general meeting held on 1 June 2015 (the "2015 AGM"); and to review the structure, size and composition of the Board.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy in relation to the nomination and appointment of new directors, which sets out the selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The Nomination Committee will give consideration to the board diversity policy when identifying suitably qualified candidates to become members of the Board, and will review the board diversity policy, so as to develop and review measurable objectives for the implementing the board diversity policy and to monitor the progress on achieving these objectives.

The directors' biographical information is set out on page 45 to 46 under the heading "Biographical Details of Directors and Senior Management". The Nomination Committee reviewed the board diversity policy and recommended the Board that the existing Board was appropriately structured and no change was required.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Executive Committee of the Company is responsible for performing the duties on corporate governance functions set out below:

a. To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

b. To review and monitor the training and continuous professional development of directors and senior management;

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

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

e. To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The attendance record of each director at the Board, Board committee meetings and general meetings of the Company held for the year ended 31 December 2015 is set out in the table below:

	Attendance/Number of Meetings						
Name of Director	Board Meeting	General Meeting	Executive Committee Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Continuous Professional Development
Executive Directors							
Mr. Yu Pun Hoi	4	1	4	N/A	N/A	1	✓
Ms. Chen Dan	4	1	4	N/A	N/A	1	✓
Ms. Liu Rong	4	–	4	N/A	N/A	N/A	✓
Non-executive Directors							
Mr. Wang Gang	4	1	N/A	N/A	N/A	N/A	✓
Mr. Lam Bing Kwan	4	1	N/A	N/A	N/A	N/A	✓
Independent Non-executive Directors							
Prof. Jiang Ping	4	–	N/A	2	1	1	✓
Mr. Hu Bin	4	1	N/A	2	1	1	✓
Mr. Lau Yip Leung	4	1	N/A	2	1	1	✓
Number of meetings held during the year	4	1	4	2	1	1	

Mr. Hu Bin resigned as director of the Company with effect from 3 February 2016.

Corporate Governance Report

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITOR'S REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 74 and 75.

The remuneration paid to the external auditor of the Group in respect of audit services and non-audit services for the year ended 31 December 2015 amounted to HK$7,829,000 and HK$235,000 respectively. The non-audit services include professional advice on transactions. An analysis of the remuneration paid to the external auditor of the Group is set out in note 8 to the financial statements.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibilities and authorities to the senior management.

During the year under review, the Board, Audit Committee and Executive Committee, have conducted regular reviews of the effectiveness of the risk management and internal control procedures of the Group. The Board considers that, during the year, the existing internal control system has been operating in a healthy and effective manner in the finance, operation, compliance and risk management aspects.

Through putting in place proper risk management control over key businesses and carrying out regular reviews and updates, the Group strives to reduce the likelihood and effect of risks before they occur, and deal with problems effectively when they arise. While the Group's risk management is the responsibility of every management team member and is embedded in the daily operation of every business unit, our risk management process is based on a decentralized model with a centralized monitoring system. The Group's strategy is to maintain a streamlined risk management process to identify, analyze and mitigate various risks in an efficient and effective manner.

COMPANY SECRETARY

The Company engaged Mr. Chiu Ming King, the director of Corporate Services of Vistra Corporate Services (HK) Limited, external service provider, as its company secretary. His primary contact at the Company is Ms. Zhao Lei of the Finance Department of the Company.

In compliance with Rule 3.29 of the Listing Rules, during the year ended 31 December 2015, Mr. Chiu has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene an Special General Meeting ("SGM")

Pursuant to the Bye-law 62 of the Bye-Laws, the board may, whenever it thinks fit, convene an SGM, and SGM shall also be convened on requisition, as provided by the Companies Act 1981 of Bermuda (the "Companies Act"), or, in default, may be convened by the requisitionists.

Under Section 74 of the Companies Act, the directors of the Company, notwithstanding anything in its Bye-Laws shall, on the requisition of shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an SGM of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company and may consist of several documents in like form each signed by one or more requisitionists.

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

A meeting convened under Section 74 of the Companies Act by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by directors.

2. Procedures for putting forward proposals at shareholders' meeting

Subject to Section 79 of the Companies Act, it shall be the duty of the Company on the requisition in writing of such number of shareholders as is hereinafter specified, at the expense of the requisitionists unless the Company otherwise resolves:

— to give to the shareholders of the Company entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting;

— to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of shareholders necessary for a requisition under Section 79 of the Companies Act shall be:

(a) either any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(b) not less than one hundred shareholders.

Corporate Governance Report

Notice of any such intended resolution shall be given, and any such statement shall be circulated, to shareholders of the Company entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other shareholders of the Company by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

3. Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the branch share registrar of the Company in Hong Kong. Shareholders may at any time send their enquiries and concerns to the Board in writing at the Company's principal place of business in Hong Kong at 12/F., The Octagon, No.6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong, or to the Company by email at info@nanhaicorp.com. Shareholders may also make enquiries with the Board at the SGM/AGM.

The details of the rights of shareholders of the Company can be found in the Company's website at www.nanhaicorp.com.

INVESTOR RELATIONS

The Company is committed to safeguard shareholders' interests and believes that effective communication with shareholders and other stakeholders is essential for enhancing investor relations and investor understanding of the business performance and strategies of the Group.

The Board adopted a Shareholders Communication Policy which aims to set out the provisions with the objective of ensuring that the shareholders of the Company and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders of the Company to exercise their rights in an informed manner, and to allow shareholders of the Company and potential investors to engage actively with the Company.

The Company endeavours to disclose all material information about the Group to all interested parties on a timely basis. All such publications together with additional information of the Group are timely updated on the Company's website at www.nanhaicorp.com.

CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's constitutional documents during the year.

Independent Auditor's Report

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To the shareholders of Nan Hai Corporation Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Nan Hai Corporation Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 76 to 164, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Independent Auditor's Report (Continued)

OPINION

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

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate Number P04434

Hong Kong, 30 March 2016

Consolidated Income Statement

For the year ended 31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000 (Re-presented)
Revenue	5(a)	**4,200,117**	3,153,015
Cost of sales and services provided	8	**(1,593,093)**	(1,078,165)
Gross profit		**2,607,024**	2,074,850
Other operating income	5(b)	**410,898**	229,914
Loss on disposal and dissolution of subsidiaries	39(a)	**–**	(3,822)
Gain on disposal of an associate classified as non-current assets held for sale	19	**165,554**	–
Gain on disposal of an associate		**1,446**	–
Selling and marketing expenses		**(1,633,534)**	(1,314,128)
Administrative expenses		**(477,810)**	(401,358)
Other operating expenses		**(479,974)**	(831,388)
Finance costs	7	**(300,698)**	(302,097)
Fair value change on financial liability at fair value through profit or loss	31(b)	**(62,166)**	1,588
Share of results of associates		**(35,792)**	(178,596)
Share of results of a joint venture	18	**(350)**	–
Gain on fair value change on investment properties	14	**153,071**	–
Profit/(Loss) before income tax	8	**347,669**	(725,037)
Income tax expense	9	**(92,239)**	(21,942)
Profit/(Loss) for the year		**255,430**	(746,979)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**238,875**	(701,731)
Non-controlling interests		**16,555**	(45,248)
		255,430	(746,979)
		HK cent	HK cent
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the year	11		
— Basic		**0.35**	(1.02)
— Diluted		**0.35**	(1.02)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 **HK$'000**	2014 HK$'000
Profit/(Loss) for the year	**255,430**	(746,979)
Other comprehensive income, including reclassification adjustments		
Items that may be reclassified subsequently to profit or loss:		
Exchange loss on translation of financial statements of foreign operations	**(150,909)**	(132,440)
Exchange differences reclassified on disposal and dissolution of subsidiaries, net of tax	**–**	13,149
Exchange differences reclassified on disposal of an associate classified as non-current assets held for sale, net of tax	**(10,299)**	–
Other comprehensive income for the year, including reclassification adjustments	**(161,208)**	(119,291)
Total comprehensive income for the year	**94,222**	(866,270)
Total comprehensive income attributable to:		
Owners of the Company	**85,190**	(821,933)
Non-controlling interests	**9,032**	(44,337)
	94,222	(866,270)

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Re-presented)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**3,165,728**	2,568,549
Investment properties	14	**179,372**	–
Prepaid land lease payments under operating leases	15	**25,521**	27,235
Interests in associates	17	**534,299**	505,682
Interest in a joint venture	18	**2,160**	2,499
Loan receivable from an associate	28(d)	**369,848**	311,972
Amounts due from related parties	47	**5,026**	–
Available-for-sale financial assets		**324**	324
Held-to-maturity investment		**155,205**	–
Deposits, prepayments and other receivables	20	**213,674**	404,636
Intangible assets	21	**223,817**	146,998
Deferred tax assets	32	**108,258**	120,441
Pledged and restricted bank deposits	25	**195,276**	45,614
		5,178,508	4,133,950
Current assets			
Inventories	22	**7,188,276**	5,931,704
Financial assets at fair value through profit or loss	23	**1,433**	1,587
Trade receivables	24	**332,110**	137,923
Deposits, prepayments and other receivables	20	**2,208,451**	1,000,165
Amounts due from associates	28(c)	**530**	2,915
Amounts due from related parties	47	**30,707**	–
Pledged and restricted bank deposits	25	**1,725,537**	1,074,694
Time deposits maturing over three months	25	**12**	625
Cash and cash equivalents	25	**803,694**	279,877
		12,290,750	8,429,490
Non-current assets held for sale	19	**–**	97,655
		12,290,750	8,527,145

Consolidated Statement of Financial Position (Continued)

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Re-presented)
Current liabilities			
Trade payables	26	**570,538**	272,019
Other payables and accruals	27	**1,189,056**	1,247,836
Receipt in advance and deferred revenue		**496,089**	449,055
Provision for tax		**639,065**	1,014,552
Amount due to a director	28(a)	**14,273**	6,240
Amount due to a shareholder	28(b)	**1**	1
Amounts due to associates	28(c)	**197,982**	6,981
Amounts due to related parties	47	**103,988**	–
Bank and other borrowings	29	**5,059,078**	3,049,047
Finance lease liabilities	30	**13,509**	585
Finance from a third party	31	**–**	291,992
Financial liability at fair value through profit or loss	31	**121,589**	–
		8,405,168	6,338,308
Net current assets		**3,885,582**	2,188,837
Total assets less current liabilities		**9,064,090**	6,322,787
Non-current liabilities			
Bank and other borrowings	29	**4,968,005**	2,409,042
Finance lease liabilities	30	**29,593**	1,168
Provision for warranty	33	**5,401**	–
Long term trade payables	26	**68,087**	–
Deferred tax liabilities	32	**76,439**	30,811
Financial liability at fair value through profit or loss	31	**–**	59,423
		5,147,525	2,500,444
Net assets		**3,916,565**	3,822,343
EQUITY			
Share capital	34	**686,455**	686,455
Reserves	36	**2,555,847**	2,470,657
Equity attributable to the Company's owners		**3,242,302**	3,157,112
Non-controlling interests	38	**674,263**	665,231
Total equity		**3,916,565**	3,822,343

Yu Pun Hoi
Director

Chen Dan
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Re-presented)
Cash flows from operating activities			
Profit/(Loss) before income tax		**347,669**	(725,037)
Adjustments for:			
Interest income		**(116,926)**	(56,347)
Finance costs		**300,698**	302,097
Depreciation of property, plant and equipment		**260,690**	491,210
Amortisation of intangible assets other than goodwill		**12,866**	76,521
Write-off of property, plant and equipment		**2,849**	30,937
Gain on disposal of an associate classified as non-current assets held for sale		**(165,554)**	–
Gain on disposal of an associate		**(1,446)**	–
Loss on disposal and dissolution of subsidiaries	39(a)	**–**	3,822
Operating lease charges on prepaid land lease		**546**	557
Bad debt written-off and provision for impairment of receivables		**4,261**	33,002
Provision for impairment loss of inventories		**2,810**	–
Write-back of provision for impairment of other receivables		**(12,887)**	–
Write-back of provision for impairment of trade receivables		**–**	(1,073)
Provision for warranty		**365**	–
(Gain)/Loss on disposal of property, plant and equipment		**(4,245)**	3,434
Fair value change on financial assets at fair value through profit or loss		**95**	(677)
Fair value change on financial liability at fair value through profit or loss		**62,166**	(1,588)
Gain on fair value change on investment properties		**(153,071)**	–
Share of results of associates		**35,792**	178,596
Share of results of a joint venture		**350**	–
Operating profit before working capital changes		**577,028**	335,454
Increase in inventories		**(1,149,931)**	(85,370)
Increase in trade receivables, deposits, prepayments and other receivables		**(1,574,011)**	(319,338)
Increase in trade payables, other payables and accruals		**196,363**	682,252
Increase in receipt in advance and deferred revenue		**48,772**	62,037
Increase in amounts due from related parties		**(36,709)**	–
Increase in amounts due to associates		**173,099**	2,182
Increase in amounts due to related parties		**107,293**	–
Increase in financial assets at fair value through profit or loss		**(9)**	(6)
Cash (used in)/generated from operations		**(1,658,105)**	677,211
Interest received		**85,729**	27,986
Interest paid		**(603,212)**	(355,045)
Income taxes paid		**(403,819)**	(12,351)
Net cash (used in)/generated from operating activities		**(2,579,407)**	337,801

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Re-presented)
Cash flows from investing activities			
Payments to acquire intangible assets		**(20,880)**	(6,465)
Payments to acquire property, plant and equipment		**(847,178)**	(573,171)
Payments to acquire held-to-maturity investment		**(160,138)**	–
Net cash outflow arising from establishing a joint venture	18	**–**	(2,499)
Net cash outflow arising from acquisition of interests in subsidiaries		**(13,970)**	–
Decrease/(Increase) in deposits, prepayments and other receivables		**279,441**	(75,222)
Increase in pledged and restricted bank deposits		**(877,559)**	(99,369)
Decrease in time deposits maturing over three months		**604**	12
Proceeds from disposal of property, plant and equipment		**4,360**	6,787
Net cash inflow arising from disposal of subsidiaries	39(a)	**–**	61
Proceeds from disposal of an associate classified as non-current assets held for sale		**249,857**	–
Payments for setting up associates		**(38,052)**	(14,048)
Proceeds from disposal of an associate		**1,869**	–
Capital contribution by non-controlling equity holder of a subsidiary		**–**	5,170
Net cash used in investing activities		**(1,421,646)**	(758,744)
Cash flows from financing activities			
Repayments of bank and other borrowings		**(4,564,094)**	(957,383)
Repayments of finance lease liabilities		**(1,812)**	(462)
Repayment of finance from a third party		**(291,992)**	(484,584)
Proceeds from bank and other borrowings		**9,451,438**	1,730,412
Advance from/(Repayment to) a director		**8,576**	(13,287)
Repayments to shareholders		**–**	(5,005)
Net cash generated from financing activities		**4,602,116**	269,691
Net increase/(decrease) in cash and cash equivalents		**601,063**	(151,252)
Cash and cash equivalents at 1 January		**279,877**	512,957
Effect of foreign exchange rate changes, on cash held		**(77,246)**	(81,828)
Cash and cash equivalents at 31 December		**803,694**	279,877
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand		**803,694**	279,877

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Equity attributable to the Company's owners								
	Share capital (note 34) HK$'000	Share premium (note 36) HK$'000	Capital reserve (note 36) HK$'000	General reserve (note 36) HK$'000	Exchange reserve (note 36) HK$'000	Accumulated losses (note 36) HK$'000	Total HK$'000	Non-controlling interests (note 38) HK$'000	Total equity HK$'000
At 1 January 2014	686,455	965,911	1,911,436	172,918	713,062	(470,737)	3,979,045	711,846	4,690,891
Loss for the year	–	–	–	–	–	(701,731)	(701,731)	(45,248)	(746,979)
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss									
Exchange (loss)/gain on translation of financial statements of foreign operations	–	–	–	–	(133,351)	–	(133,351)	911	(132,440)
Exchange differences reclassified on disposal and dissolution of subsidiaries	–	–	–	–	13,149	–	13,149	–	13,149
Total comprehensive income for the year	–	–	–	–	(120,202)	(701,731)	(821,933)	(44,337)	(866,270)
Transfer to general reserve	–	–	–	4,701	–	(4,701)	–	–	–
Released on disposal and dissolution of subsidiaries	–	–	–	–	–	–	–	(7,448)	(7,448)
Capital contributed by non-controlling equity holder of a subsidiary	–	–	–	–	–	–	–	5,170	5,170
At 31 December 2014 and 1 January 2015	**686,455**	**965,911***	**1,911,436***	**177,619***	**592,860***	**(1,177,169)***	**3,157,112**	**665,231**	**3,822,343**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**238,875**	**238,875**	**16,555**	**255,430**
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss									
Exchange loss on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**(143,386)**	**–**	**(143,386)**	**(7,523)**	**(150,909)**
Exchange differences reclassified on disposal of an associate classified as non-current assets held for sale	**–**	**–**	**–**	**–**	**(10,299)**	**–**	**(10,299)**	**–**	**(10,299)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(153,685)**	**238,875**	**85,190**	**9,032**	**94,222**
Transfer to general reserve	**–**	**–**	**–**	**4,103**	**–**	**(4,103)**	**–**	**–**	**–**
At 31 December 2015	**686,455**	**965,911***	**1,911,436***	**181,722***	**439,175***	**(942,397)***	**3,242,302**	**674,263**	**3,916,565**

* These reserve accounts comprise the consolidated reserves of HK$2,555,847,000 (2014: HK$2,470,657,000) in the consolidated statement of financial position.

Notes to the Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

Nan Hai Corporation Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and, its principal place of business is 12/F., The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company and its subsidiaries (the "Group") are principally engaged in culture and media services, property development and corporate IT application services. Details of the principal activities of the Company's subsidiaries are set out in note 16.

The financial statements for the year ended 31 December 2015 were approved for issue by the board of directors (the "Board") on 30 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 76 to 164 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared on the historical cost basis except for investment properties and financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

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

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combination and basis of consolidation

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combination and basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

2.3 Subsidiaries

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

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

— Joint ventures: where the group has rights to only the net assets of the joint arrangement; or

— Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

The Group accounts for its interests in joint ventures in the same manner as investments in associates i.e. using the equity method — see note 2.4.

2.6 Foreign currency translation

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

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

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

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	5%
Leasehold improvements, furniture, fixtures and equipment	10% to 33-1/3% over lease terms whichever involves shorter period
Motor vehicles/Yachts	10% to 33-1/3%

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the assets' estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

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

Construction in progress represents assets under construction and is carried at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

The buildings comprise a portion that is held to earn rentals and the other portion that is held for administrative purpose. As the portion held to earn rentals cannot be sold separately and is insignificant, the building is classified as owner-occupied property rather than investment property.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Properties under construction or development for future use as investment properties are classified as investment properties under construction. If the fair value cannot be reliably determined, the investment properties under construction will be measured at cost until such time as fair value can be determined or construction is completed.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

2.9 Operating lease prepayments and land use right

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.17. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.10 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 2.4.

Goodwill represents the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") and is tested annually for impairment (see note 2.23).

If the consideration transferred and the amount recognised for non-controlling interests is less than the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

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

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Other intangible assets and research and development activities

Other intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Computer software	4 years
Customer relationships	2 years
Development cost	2–4 years
Licenses	10 years

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the computer software to which it relates. All other expenditure is expensed as incurred.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.23.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries, associates and a joint venture are set out below.

Financial assets are classified into the following categories:

— financial assets at fair value through profit or loss

— loans and receivables

— available-for-sale financial assets

— held-to-maturity investments

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

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

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

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

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-making. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

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

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

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

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met:

— the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

— the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

— the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.20 to these financial statements.

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

(iv) Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group, national or local economic conditions that correlate with defaults on the assets in the group, and the failure to renegotiate the repayment terms of loan and receivables that would otherwise be past due or impaired.

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

(i) Financial assets at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets

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

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the profit or loss. The subsequent increase in fair value is recognised directly in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in the profit or loss.

Financial assets other than financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of loans and receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of loans and receivables is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.13 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

(i) Properties under development

The cost of properties under development for sale comprises the acquisition cost of land, materials, labour and other direct expenses and an appropriate proportion of overheads, and capitalised finance cost (see note 2.26).

(ii) Completed properties held for sale

Cost is determined by apportionment of the total land and development costs for that development project attributable to the unsold properties.

(iii) Confectionery and merchandise goods

Cost comprises the cost of purchased goods calculated using FIFO method.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Inventories (Continued)

(iv) Movie projectors servers and spare parts

Cost comprises the manufacturing cost of product and the cost of purchased raw materials calculated using FIFO method.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks or other financial institutions, and short-terms highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.15 Financial liabilities

The Group's financial liabilities include bank and other borrowings, finance from a third party, trade and other payables, and finance lease liabilities. They are included in line items in the statement of financial position as bank and other borrowings, finance lease liabilities, finance from a third party, trade payables, other payables and accruals, amount due to a director, amount due to a shareholder, amounts due to associates, amounts due to subsidiaries and loan from subsidiaries.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All related finance costs are recognised in accordance with the Group's accounting policy for finance costs (see note 2.26).

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

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

Borrowings

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

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

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial liabilities (Continued)

Trade and other payables

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

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.17).

2.16 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred revenue is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.17 Leases

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

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Leases (Continued)

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) *Operating lease charges as the lessee*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

(iv) *Assets leased out under operating leases as the lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. 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 over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(v) *Assets leased out under finance leases as the lessor*

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Provisions and contingent liabilities

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

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

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition, unless the fair value cannot be measured reliably, and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

2.19 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.20 Revenue recognition

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

Revenue arising from the sale of properties held for sale is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under other payables and accruals.

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. When services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period of time unless there is evidence that some other method better represents the stage of completion.

Ticket income from the sale of tickets owned and controlled by the Group is recognised as income when the ticket is issued.

Sales of confectionery, merchandise and souvenir are recognised when goods are delivered.

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

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

2.21 Receipt in advance and deferred revenue

Receipt in advance and deferred revenue consists primarily of deferred revenue from prepaid service fees received from customers and fair value of bonus liabilities granted to customers in accordance with the announced bonus point scheme and the Group's past experience on the level of redemption of points. Revenue from prepaid service fees and bonus liabilities are recognised when the relevant services are rendered.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as deferred government grants in the statement of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants relating to income is presented in gross under "Other operating income" in profit or loss.

2.23 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, other intangible assets, property, plant and equipment, prepaid land lease payments under operating leases, non-current portion of deposits and, interests in subsidiaries, associates and a joint venture are subject to impairment testing.

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Impairment of non-financial assets (Continued)

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

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

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

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

2.24 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of clarification.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Non-current assets held for sale and disposal groups (Continued)

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

2.25 Employee benefits

(i) *Short-term employee benefits*

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

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

(ii) *Retirement benefits*

The Group operates several staff retirement schemes for employees in Hong Kong and Mainland China, comprising defined contribution pension schemes and a Mandatory Provident Fund ("MPF") scheme. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement schemes are generally funded by payments from employees and by the relevant subsidiaries of the Group.

The subsidiaries operating in Mainland China are required to participate in the defined contribution retirement scheme for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 10% to 22% (depending on the locations of the subsidiaries) of basic salaries of their employees and there are no other further obligations to the Group.

Before 1 December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group was 5% of the individual employees' monthly basic salaries. The Group's contributions under the ORSO Scheme were reduced by contributions forfeited by those employees who left the scheme prior to vesting fully in the contributions. There are no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Employee benefits (Continued)

(ii) Retirement benefits (Continued)

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1 December 2000, the MPF Scheme was also set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% of their monthly basic salaries whereas the Group's monthly contribution will be 5% of the relevant employee's basic salaries with a maximum monthly contribution of HK$1,500 (2014: HK$1,500). There are no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(iii) Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

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

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to capital reserve. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Finance costs

Finance costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other finance costs are expensed as incurred.

Finance costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, finance costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

2.27 Accounting for income taxes

Income tax for the year comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Segment reporting

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

The Group has identified the following reportable segments:

(a) Corporate IT application services

(b) Property development

(c) Culture and media services

Information about other business activities and operating segments that are not reportable are combined and disclosed in "all other segments". All other segments included trading of securities and property management.

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

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- Share of results of certain associates
- Certain bank and other interest income
- Certain finance costs
- Income tax expense
- Corporate income and expenses which are not directly attributable to the business activities or any operating segment

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but certain pledged and restricted bank deposit, amounts due from associates, available-for-sale financial assets and deferred tax assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include provision for tax, amounts due to a director/a shareholder/associates and certain bank and other borrowings.

No asymmetrical allocations have been applied to reportable segments.

Notes to the Financial Statements

For the year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

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

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

(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:

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

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

(iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Financial Statements

For the year ended 31 December 2015

3. ADOPTION OF NEW/AMENDED HKFRSs

3.1 New/amended HKFRSs which are effective during the year

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

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

The adoption of these new/amended HKFRSs has no material impact on the Group's financial statements.

3.2 New/amended HKFRSs which are issued but not yet effective

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

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[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 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective date is deferred

Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

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

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

Notes to the Financial Statements

For the year ended 31 December 2015

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.2 New/amended HKFRSs which are issued but not yet effective (Continued)

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

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

HKFRS 9 (2014) — Financial Instruments

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

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

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

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Notes to the Financial Statements

For the year ended 31 December 2015

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.2 New/amended HKFRSs which are issued but not yet effective (Continued)

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Save as the main changes described above, the Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantity the effects on the Group's financial statements.

3.3 New Companies Ordinance provisions relating to the disclosure requirements of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the disclosure requirements of financial statements apply to the Company in this financial year.

The directors consider that there will be no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

Notes to the Financial Statements

For the year ended 31 December 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

Depreciation and amortisation

The Group depreciates and amortises property, plant and equipment and intangible assets other than goodwill on a straight-line basis over the estimated useful life, and after taking into account their estimated residual values, 5% to 33-1/3% per annum and 25% to 50% per annum, respectively, commencing from the date on which the assets are available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets other than goodwill.

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

Net realisable value of completed properties held for sale and properties under development

Management determines the net realisable value of completed properties held for sale and properties under development by using prevailing market data such as most recent sale transactions, anticipated costs to completion and valuation reports provided by independent qualified professional valuers.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.23. The recoverable amounts of CGUs have been determined based on value in use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of CGUs containing goodwill are disclosed in note 21.

Notes to the Financial Statements

For the year ended 31 December 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

Impairment of assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of interest in associates

Management assesses impairment of interests in associates at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Business value calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the management takes into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Current tax and deferred tax

The Group is subject to income taxes in the People's Republic of China ("PRC"). Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

The Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to their understanding on the tax rules.

Notes to the Financial Statements

For the year ended 31 December 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the Group's accounting policies

Going concern

The Group's financial statements are prepared using the going concern basis which assumes the Group will be able to realise their assets and discharge their liabilities in the normal course of business. The application of the going concern basis requires the Company's directors making judgements in estimating future cashflows of the Group and likelihood of outcomes of contingent matters.

The operating and capital expenditure of the Group is funded by cash flow from operations, internal liquidity and financing by banks and other parties. The Group maintains a sufficient liquidity comprises cash and cash equivalents and other liquid assets. Taking into account of available banking facilities obtained during the year, the directors consider that all contractual and estimated obligations and operational requirements would be met.

Research and development activities

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgement is based on the best information available at each reporting date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Group's management.

Control through structured agreements

Notwithstanding the lack of equity ownership in 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet") and its existing subsidiary (collectively as "Xinnet Group"), the Group is able to control, recognise and receive all the economic benefits of the business of Xinnet Group as the Group (1) shall have all requisite power and unrestricted rights, acting as a principal, to control and manage all aspects, at its sole decision and its own benefit, over Xinnet Group by virtue of the power of attorney; and (2) shall have right to assume all profits of Xinnet Group under the management and technology services agreement. In view of the foregoing reasons, the Group has determined that it has the practical ability to unilaterally direct the relevant activities of the Xinnet Group and significant benefits derived from Xinnet Group and therefore has consolidated the Xinnet Group as wholly-owned subsidiaries.

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For the year ended 31 December 2015

5. REVENUE AND OTHER OPERATING INCOME

(a) The Group's revenue represents revenue from its principal activities as set out below:

	2015 HK$'000	2014 HK$'000
Sales of properties and car parks	**192,051**	127,806
Corporate IT application services	**808,287**	784,763
Property management services	**44,585**	40,407
Culture and media services	**76,581**	99,912
Cinema ticketing income	**2,627,591**	1,835,266
Confectionery sales	**376,611**	264,861
Publication of magazines and advertising income	**2,224**	–
Sales of projection equipment	**48,690**	–
Digital media technology services	**23,497**	–
	4,200,117	3,153,015

(b) Other operating income:

	2015 HK$'000	2014 HK$'000
Bank interest income	**75,499**	17,931
Other interest income	**41,427**	38,416
Interest income on financial assets not at fair value through profit or loss	**116,926**	56,347
Exchange gain	**13,419**	2,884
Gain on disposal of property, plant and equipment	**4,245**	–
Government grants*	**82,663**	96,437
Cinema advertising income	**66,560**	12,414
Rental Income	**12,636**	12,681
Sundry income	**114,449**	49,151
	410,898	229,914

* Government grants have been received from the PRC governmental bodies in the form of the subsidies to cinema operations and subsidise software development projects of the Group in the PRC. The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities who are operating cinema/having research and development projects that meet certain criteria. There are no unfulfilled conditions or contingencies attaching to these grants.

Notes to the Financial Statements

For the year ended 31 December 2015

6. SEGMENT INFORMATION

The executive directors have identified the Group's three product and service lines as operating segments as further described in note 2.28.

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

	2015				
	Corporate IT application services HK$'000	Property development HK$'000	Culture and media services HK$'000	All other segments HK$'000	Total HK$'000
Revenue					
From external customers	808,287	192,051	3,152,970	46,809	4,200,117
From inter-segments	–	–	–	4,412	4,412
Reportable and all other segments revenue	808,287	192,051	3,152,970	51,221	4,204,529
Reportable and all other segments (loss)/profit before income tax	(14,884)	97,408	230,482	(54,056)	258,950
Bank interest income	277	763	37,505	12,049	50,594
Other interest income	45	37,356	12	–	37,413
Interest income on financial assets not at fair value through profit or loss	322	38,119	37,517	12,049	88,007
Finance costs	(1,943)	(11,822)	(262,669)	(193)	(276,627)
Depreciation and amortisation of non-financial assets	(55,412)	(3,380)	(211,068)	(1,625)	(271,485)
Gain on disposal of property, plant and equipment	19	–	4,226	–	4,245
Share of results of associates	(368)	(55,108)	22,737	–	(32,739)
Fair value change on financial liability at fair value through profit or loss	–	(62,166)	–	–	(62,166)
Reportable and all other segments assets	1,122,300	9,913,978	4,681,308	664,353	16,381,939
Interests in associates	8,109	468,913	57,277	–	534,299
Additions to non-current segment assets during the year	68,498	5,315	905,598	15,556	994,967
Reportable and all other segments liabilities	(560,869)	(4,170,921)	(3,840,259)	(30,175)	(8,602,224)

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For the year ended 31 December 2015

6. SEGMENT INFORMATION (Continued)

	2014				
	Corporate IT application services HK$'000	Property development HK$'000	Culture and media services HK$'000	All other segments HK$'000	Total HK$'000
Revenue					
From external customers	784,763	127,806	2,200,039	40,407	3,153,015
From inter-segments	–	–	23,715	1,721	25,436
Reportable and all other segments revenue	784,763	127,806	2,223,754	42,128	3,178,451
Reportable and all other segments (loss)/profit before income tax	(176,956)	(208,261)	(259,291)	(13,041)	(657,549)
Bank interest income	293	210	17,362	1	17,866
Other interest income	–	34,646	–	–	34,646
Interest income on financial assets not at fair value through profit or loss	293	34,856	17,362	1	52,512
Finance costs	(13,170)	(72,870)	(213,534)	(2,520)	(302,094)
Depreciation and amortisation of non-financial assets	(130,962)	(3,154)	(433,192)	(446)	(567,754)
Gain/(Loss) on disposal of property, plant and equipment	125	–	(3,457)	–	(3,332)
Share of results of associates	–	(171,868)	(2,045)	–	(173,913)
Fair value change on financial liability at fair value through profit or loss	–	1,588	–	–	1,588
Reportable and all other segments assets	1,004,425	7,607,326	3,558,975	184,703	12,355,429
Interests in associates	–	491,746	13,936	–	505,682
Additions to non-current segment assets during the year	39,383	1,522	538,819	850	580,574
Reportable and all other segments liabilities	(645,978)	(2,894,238)	(4,057,197)	(71,154)	(7,668,567)

Notes to the Financial Statements

For the year ended 31 December 2015

6. SEGMENT INFORMATION (Continued)

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the financial statements as follows:

	2015 **HK$'000**	2014 HK$'000
Reportable segment revenue	**4,153,308**	3,136,323
All other segments revenue	**51,221**	42,128
Elimination of inter-segment revenue	**(4,412)**	(25,436)
Group revenue	**4,200,117**	3,153,015
Reportable segment profit/(loss) before income tax	**313,006**	(644,508)
All other segments loss before income tax	**(54,056)**	(13,041)
Bank interest income	**24,905**	65
Other interest income	**4,014**	3,770
Interest income on financial assets not at fair value through profit or loss	**28,919**	3,835
Depreciation and amortisation	**(2,617)**	(534)
Loss on disposal and dissolution of subsidiaries	**–**	(3,822)
Finance costs	**(24,071)**	(3)
Gain on disposal of an associate	**1,446**	–
Gain on disposal of an associate classified as non-current assets held for sale	**165,554**	–
Share of results of associates	**(3,053)**	(4,683)
Unallocated corporate expenses	**(77,459)**	(62,281)
Profit/(Loss) before income tax	**347,669**	(725,037)

Notes to the Financial Statements

For the year ended 31 December 2015

6. SEGMENT INFORMATION (Continued)

	2015 **HK$'000**	2014 HK$'000
Reportable segment assets	**15,717,586**	12,170,726
All other segment assets	**664,353**	184,703
Non-current assets held for sale	**–**	97,655
Amounts due from associates	**530**	2,915
Deferred tax assets	**104,604**	120,441
Available-for-sale financial assets	**324**	324
Pledged and restricted bank deposit	**754,680**	–
Other financial and corporate assets	**227,181**	84,331
Group assets	**17,469,258**	12,661,095
Reportable segment liabilities	**8,572,049**	7,597,413
All other segment liabilities	**30,175**	71,154
Amount due to a director	**14,273**	6,240
Amount due to a shareholder	**1**	1
Amounts due to associates	**193,803**	6,981
Provision for tax	**639,065**	1,014,552
Bank and other borrowings	**3,581,662**	–
Other corporate liabilities	**521,665**	142,411
Group liabilities	**13,552,693**	8,838,752

The Group's revenues from external customers and its non-current assets (other than deferred tax assets, loan receivable from an associate, financial instruments and pledged and restricted bank deposits) are divided into the following geographical areas:

Revenue from external customers

	2015 **HK$'000**	2014 HK$'000
Mainland China (domicile)	**4,191,583**	3,152,358
Hong Kong	**8,349**	190
Others	**185**	467
Total	**4,200,117**	3,153,015

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6. SEGMENT INFORMATION (Continued)

Non-current assets

	2015 HK$'000	2014 HK$'000
Mainland China (domicile)	**4,342,132**	3,653,003
Hong Kong	**7,465**	2,596
Total	**4,349,597**	3,655,599

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical and operating location of the assets. The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities, the Group has the majority of its operations and workforce in Mainland China, and therefore, Mainland China is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

7. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on bank and other borrowings	**677,062**	416,527
Finance costs on finance from a third party	**2,141**	11,653
Interest on finance leases	**64**	71
Total finance costs on financial liabilities not at fair value through profit or loss	**679,267**	428,251
Less: Amount capitalised to properties under development and construction in progress*	**(378,569)**	(126,154)
	300,698	302,097

* The finance costs have been capitalised at a rate of 6.65% to 12.00% (2014: 7.63% to 12.00%) per annum.

Notes to the Financial Statements

For the year ended 31 December 2015

8. PROFIT/(LOSS) BEFORE INCOME TAX

	2015 HK$'000	2014 HK$'000 (Re-presented)
Profit/(Loss) before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill*	**12,866**	76,521
Auditors' remuneration	**7,829**	7,144
Other receivables written off*	**59**	819
Cost of sales of properties and car parks	**61,142**	32,876
Cost of provision of corporate IT application services	**139,242**	166,437
Cost of provision of property management services	**31,133**	32,307
Cost of provision of culture and media services	**76,956**	18,974
Cost of cinema ticketing	**1,139,364**	745,598
Cost of confectionery sales	**101,846**	81,973
Cost of publication of magazines and advertising	**4,427**	–
Cost of sales of projection equipment	**36,034**	–
Cost of digital media technology services	**2,949**	–
Cost of sales and services provided	**1,593,093**	1,078,165
Gross depreciation of property, plant and equipment — owned assets	**260,026**	490,823
Less: Amounts included in cost of sales and service provided	**(35)**	(99)
Net depreciation of owned assets*	**259,991**	490,724
Depreciation of leased assets*	**664**	387
Write-off of property, plant and equipment*	**2,849**	30,937
Minimum lease payments	**511,553**	384,783
Contingent rentals	**19,371**	11,414
Operating lease charges on land and buildings	**530,924**	396,197
Operating lease charges on prepaid land lease*	**546**	557
Provision for impairment of trade receivables*	**4,202**	888
Provision for impairment of other receivables*	**–**	31,295
Research and development expenses*	**62,592**	89,669

* included in other operating expenses

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For the year ended 31 December 2015

9. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000
The income tax expense comprises:		
Current tax		
— Hong Kong profits tax		
Tax charge for the year	**10,999**	12,063
Over-provision in respect of prior years	**(487)**	(298)
— PRC Enterprise Income Tax ("EIT")		
Tax charge for the year	**23,498**	26,890
Over-provision in respect of prior years	**(1,783)**	–
— PRC LAT		
Tax charge for the year	**16,011**	30,249
Over-provision in respect of prior years	**–**	(38,010)
	48,238	30,894
Deferred tax		
— Charge/(Credit) for the year	**44,001**	(8,952)
	92,239	21,942

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year.

PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (2014: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

PRC LAT is levied at progressive rates from 30% to 60% (2014: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

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For the year ended 31 December 2015

9. INCOME TAX EXPENSE (Continued)

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

	2015 **HK$'000**	2014 HK$'000
Profit/(Loss) before income tax	**347,669**	(725,037)
Tax on Profit/(Loss) before taxation, calculated at the rates applicable to profits/(losses) in the tax jurisdictions concerned	**96,410**	(150,115)
Tax effect of non-deductible expenses	**65,873**	83,713
Tax effect of non-taxable income	**(37,251)**	(25,643)
Tax effect of tax losses not recognised	**24,388**	129,329
Utilisation of tax loss previously not recognised	**(74,596)**	–
Tax effect on PRC LAT	**(4,003)**	(7,562)
Tax effect on temporary differences not recognised	**7,677**	279
PRC LAT	**16,011**	30,249
Over-provision in respect of prior years	**(2,270)**	(38,308)
Income tax expense	**92,239**	21,942

10. DIVIDEND

No dividend was paid or declared during the year (2014: Nil).

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share (2014: loss per share) is based on the profit attributable to the owners of the Company of HK$238,875,000 (2014: loss attributable to the owners of the Company: HK$701,731,000) and on 68,645,535,794 (2014: 68,645,535,794) ordinary shares in issue during the year.

Diluted earnings/(loss) per share for both years was the same as basic earnings/(loss) per share as there was no potential dilutive ordinary share in issue during the years.

12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2015 **HK$'000**	2014 HK$'000
Directors' fee (note 42(a))	**1,126**	1,156
Wages and salaries	**987,444**	852,422
Pension costs — defined contribution plans	**86,590**	80,848
Staff welfare	**55,115**	38,464
Total employee benefit expenses	**1,130,275**	972,890

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Motor vehicles/ Yachts HK$'000	Total HK$'000
At 1 January 2014					
Cost	662,135	2,618,283	–	35,401	3,315,819
Accumulated depreciation	(26,439)	(690,647)	–	(11,408)	(728,494)
Net carrying amount	635,696	1,927,636	–	23,993	2,587,325
Year ended 31 December 2014					
Opening net carrying amount	635,696	1,927,636	–	23,993	2,587,325
Additions	–	550,430	23,396	2,734	576,560
Transfer	23,396	–	(23,396)	–	–
Disposals	–	(10,047)	–	(174)	(10,221)
Write-off	–	(30,721)	–	(216)	(30,937)
Depreciation	(32,483)	(454,297)	–	(4,430)	(491,210)
Exchange differences	(15,518)	(46,944)	–	(506)	(62,968)
Closing net carrying amount	611,091	1,936,057	–	21,401	2,568,549
At 31 December 2014 and 1 January 2015					
Cost	669,178	3,043,903	–	36,674	3,749,755
Accumulated depreciation	(58,087)	(1,107,846)	–	(15,273)	(1,181,206)
Net carrying amount	611,091	1,936,057	–	21,401	2,568,549
Year ended 31 December 2015					
Opening net carrying amount	**611,091**	**1,936,057**	**–**	**21,401**	**2,568,549**
Additions	**–**	**938,419**	**30,154**	**6,416**	**974,989**
Transfer	**30,154**	**–**	**(30,154)**	**–**	**–**
Disposals	**–**	**(115)**	**–**	**–**	**(115)**
Acquisition of subsidiaries	**–**	**21,019**	**–**	**197**	**21,216**
Write-off	**–**	**(2,849)**	**–**	**–**	**(2,849)**
Depreciation	**(32,981)**	**(223,097)**	**–**	**(4,612)**	**(260,690)**
Exchange differences	**(27,201)**	**(107,334)**	**–**	**(837)**	**(135,372)**
Closing net carrying amount	**581,063**	**2,562,100**	**–**	**22,565**	**3,165,728**
At 31 December 2015					
Cost	**668,524**	**3,797,566**	**–**	**41,830**	**4,507,920**
Accumulated depreciation	**(87,461)**	**(1,235,466)**	**–**	**(19,265)**	**(1,342,192)**
Net carrying amount	**581,063**	**2,562,100**	**–**	**22,565**	**3,165,728**

The carrying amount of the Group's property, plant and equipment includes an amount of HK$999,000 (2014: HK$1,664,000) in respect of assets held under finance leases.

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14. INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
Fair value		
At 1 January	–	–
Transfer from completed properties held for sale to investment properties	26,301	–
Fair value change	153,071	–
At 31 December	179,372	–

The fair value of the Group's investment properties at 31 December 2015 has been arrived at on market value basis carried out by 深圳市世聯土地房地產評估有限公司北京分公司, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Management has reviewed the independent property valuation and compared it with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the independent property valuation of the Group's investment property portfolio is reasonable.

Fair value hierarchy

The Group's investment properties are measured at fair value. These investment properties are completed commercial properties in Mainland China. In 2015 and 2014, there were no transfers between different levels within the fair value hierarchy.

	2015 HK$'000	2014 HK$'000
Fair value hierarchy		
Level 3	179,372	–

	2015 HK$'000	2014 HK$'000
Fair value — Level 3		
At 1 January	–	–
Transfer from completed properties held for sale to investment properties	26,301	–
Fair value change	153,071	–
At 31 December	179,372	–

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14. INVESTMENT PROPERTIES (Continued)

Valuation processes and techniques underlying management's estimate of fair value

The valuation of the Group's completed investment property portfolio is derived by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and by making reference to recent comparable sales transactions available in the relevant property market.

The fair values of the Group's investment properties are sensitive to changes in both observable and unobservable inputs. If estimated rental income increase, the fair values increase. If the expected vacancy rates increase, the fair values decrease. The opposite is true for decreases in these inputs.

The Group reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between management and the independent valuer at least once every half year, in line with the Group's half year reporting dates.

Information about fair value measurements using significant unobservable inputs (Level 3)

	Valuation technique(s)	Significant unobservable inputs	Range 2015
At 31 December 2015			
Commercial properties in PRC	Direct comparison approach	Estimated market price (per square meter)	RMB103,562 to RMB116,004
	Income approach	Estimated rental income (per square meter)	RMB360
		Expected vacancy rate	8%
		Rental growth rate	3%
		Discount rate	6%

Fair value is determined by a weighted average result of the direct comparison approach and the income approach. Under the direct comparison approach, fair value is estimated with reference to the recent transactions for similar commercial units in the proximity with adjustments for the differences in transaction dates, building age, floor area etc. Under the income approach, fair value is estimated by the discounted cash flow method, based on the estimated rental value of the commercial units. The valuation takes account of expected vacancy rates and rental growth rates of the commercial units. The discount rates have been adjusted for the condition and location of the buildings.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

Certain investment properties are pledged to banks to secure banking facilities granted to the Group (note 45).

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15. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

The Group's interests in leasehold land/land use rights represent prepaid operating lease payments and their carrying amounts are analysed as follows:

	2015	2014
	HK$'000	HK$'000
At 1 January	**27,235**	28,469
Amortisation	**(546)**	(557)
Exchange differences	**(1,168)**	(677)
At 31 December	**25,521**	27,235

16. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2015 are as follows:

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of capital held by the Company		Principal activities
			Directly	Indirectly	
China Enterprise ASP Limited ("CE ASP")	Hong Kong	Paid-up share capital of HK$14,037,400	–	62.85	Investment holding
Dadi Cinema (HK) Limited	Hong Kong	Paid-up share capital of HK$7,500	–	100	Investment holding, film distribution and production
Dadi Media Limited ("Dadi Media")	Hong Kong	Paid-up share capital of HK$2	–	62.85	Investment holding
Dadi Media (HK) Limited ("Dadi")	Hong Kong	Paid-up share capital of HK$1	100	–	Investment holding
Goalrise Investments Limited	British Virgin Islands ("BVI")	1 ordinary share of US$1 each	100	–	Trading of securities
Hongkong New Media Interactive Advertising Co., Limited	Hong Kong	Paid-up share capital of HK$100	–	62.85	Investment holding and information technology business
Liu Wan Development (BVI) Company Limited	BVI	215,000,000 ordinary shares of US$1 each	–	100	Investment holding
Liu Wan Investment Company Limited	Hong Kong	Paid-up share capital of US$2	–	100	Investment holding

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16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of capital held by the Company Directly	Indirectly	Principal activities
Nan Hai Development Limited	Hong Kong	Paid-up share capital of HK$2	100	–	Investment holding
Robina Profits Limited	BVI	1 ordinary share of US$1 each	–	62.85	Investment holding
Sino-i Technology Limited ("Sino-i")	Hong Kong	Paid-up share capital of HK$240,596,986	–	62.85	Investment holding
View Power Investments Limited	BVI	1 ordinary share of US$1 each	100	–	Investment holding
WeMedia01 (HK) Limited	Hong Kong	Paid-up share capital of HK$1	–	100	News media
Wise Advance Investments Limited	BVI	1 ordinary share of US$1 each	100	–	Investment holding
中企動力科技股份有限公司 (note a)	PRC	RMB242,369,720	–	62.65	Information technology business
數碼慧谷置業管理股份有限公司 (note a)	PRC	RMB689,171,334	–	58.05	Information technology business
北京中企動力廣告有限公司 (note b)	PRC	RMB21,000,000	–	62.85	Information technology business
北京新網數碼信息技術有限公司 (note b)	PRC	RMB45,000,000	–	N/A*	Information technology business
深圳市半島城邦物業管理有限公司 (note b)	PRC	RMB10,000,000	–	100	Property management
深圳市金益田實業發展有限公司 (note b)	PRC	RMB18,000,000	–	100	Property development
深圳半島城邦房地產開發有限公司 (note c)	PRC	RMB110,000,000	–	100	Investment holding and property development

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16. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of capital held by the Company Directly	Indirectly	Principal activities
廣東大地影院建設有限公司 (note b)	PRC	RMB1,146,427,999	–	100	Operation of digital cinemas
廣東自由人影城管理有限公司 (note b)	PRC	RMB10,000,000	–	100	Operation of digital cinemas
大地影院發展有限公司 (note b)	PRC	RMB214,000,000	–	100	Operation of digital cinemas
陝西西影大地影院建設有限公司 (note b)	PRC	RMB30,000,000	–	70	Operation of digital cinemas
大地時代電影文化傳播（北京）有限公司 (note b)	PRC	RMB40,000,000	–	100	Film distribution
時代廣告（北京）有限公司 (note b)	PRC	RMB1,000,000	–	100	Providing advertising services
數碼辰星科技發展（北京）有限公司 (note b)	PRC	RMB30,000,000	–	100	Trading of movie projection equipment and providing digital media technology services
重慶煥揚影院管理有限公司 (note b)	PRC	RMB19,000,000	–	100	Operation of digital cinemas

* controlled through structured agreements with effective interests of 62.85%

The above table lists out the subsidiaries of the Company as at 31 December 2015 which, in the opinion of the directors, principally affected the Group's results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(a) These subsidiaries are registered as joint stock limited company under the law of PRC.

(b) These subsidiaries are registered as limited liability company under the law of PRC.

(c) This subsidiary is registered as Sino-foreign co-operative joint venture under the law of PRC.

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17. INTERESTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Share of net liabilities other than goodwill	**(256,864)**	(279,125)
Goodwill	**791,163**	784,807
Balance at 31 December	**534,299**	505,682

Particulars of the associates at 31 December 2014 and 31 December 2015 are as follows:

Name	Country of incorporation/ establishment and operations	Particulars of issued and paid up share capital/ registered capital	Percentage of equity interest held by the Group 2015	2014	Nature of business
Listar Properties Limited ("Listar")* (note)	BVI	14,000,000 class A and 6,000,000 class B ordinary shares of US$1 each	**43.0**	43.0	Investment holding
中瑞大地影視(福建)有限公司*	PRC	RMB5,000,000	**–**	30.0	Operation of digital cinemas
Genius Reward Company Limited*	Hong Kong	Paid-up share capital of HK$200	**31.0**	31.0	Inactive
五洲電影發行有限公司 ("Wuzhou")*	PRC	RMB 50,000,000	**22.5**	22.5	Film distribution
北京東方大地影視投資管理有限公司*	PRC	RMB5,000,000	**43.0**	–	Investment holding and management
北京東方大地文化產業發展中心(有限合伙)	PRC	RMB180,000,000	**26.8**	–	Consultation, film production and project management
Emperor Dadi Film Distribution Limited*	Hong Kong	Paid-up share capital of HK$2	**50.0**	–	Provision of film distribution services

* unlisted limited liability company

Note: Listar together with its subsidiaries (collectively the "Listar Group") engages in property development in the PRC. Listar held 100% equity interests in 廣州東鏡新城房地產有限公司, a company registered as Sino-foreign co-operative joint venture under the law of PRC, with registered and paid-up capital of US$42,000,000, and principally engaged in property development.

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17. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information of the Group's material associates extracted from their management accounts, adjusted for fair value adjustments made at the time of acquisition and for differences in accounting policies, if any, are as follows:

	Listar		Wuzhou	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Summarised statement of financial position:				
Non-current assets	**4,047**	4,416	**1,349**	2,084
Current assets	**4,378,079**	3,307,599	**1,509,416**	60,671
Current liabilities	**(3,477,528)**	(1,355,029)	**(1,352,938)**	(1,887)
Non-current liabilities	**(1,737,312)**	(2,638,524)	**–**	–
Summarised statement of comprehensive income:				
Revenue	**127,567**	2,007,980	**2,035,701**	4,353
(Loss)/Profit for the year	**(128,159)**	(399,694)	**99,962**	(1,579)
Other comprehensive income for the year	**(8,235)**	(10,737)	**(3,003)**	10
Total comprehensive income for the year	**(136,394)**	(410,431)	**96,959**	(1,569)
Dividend received from associates	**–**	–	**–**	–
Reconciled to the Group's interests in the associates:				
Gross amounts of net (liabilities)/assets of the associates	**(832,714)**	(681,538)	**157,827**	60,868
Group's effective interest	**43.0%**	43.0%	**22.5%**	22.5%
Group's share of net (liabilities)/assets of the associates	**(358,067)**	(293,061)	**35,511**	13,695
Goodwill	**791,163**	784,807	**–**	–
Carrying amount in the consolidated financial statements	**433,096**	491,746	**35,511**	13,695

The summarised financial information of the Group's immaterial associates (in aggregate) extracted from their management accounts, adjusted for fair value adjustments made at the time of acquisition and for differences in accounting policies, are as follows:

	2015	2014
	HK$'000	HK$'000
Summarised statement of comprehensive income:		
(Loss)/Profit for the year	**(3,175)**	2,043
Other comprehensive income for the year	**(64)**	(9)
Total comprehensive income for the year	**(3,239)**	2,034

Note: The Group has discontinued recognition of its share of loss of certain insignificant associates. The amount of unrecognised share of loss of the associates for the year and accumulated unrecognised share of loss of the associates amounted to HK$275,000 (2014: HK$248,000) and HK$4,174,000 (2014: HK$3,899,000) respectively.

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18. INTEREST IN A JOINT VENTURE

	2015 HK$'000	2014 HK$'000
Unlisted shares, at cost	**2,499**	2,499
Share of results of a joint venture	**(350)**	–
Exchange differences	**11**	–
	2,160	2,499

In November 2014, the Group set up a joint venture with two business partners. The Group hold 40% equity interest in the joint venture, 東方大地影視產業投資基金管理無錫有限公司, a separate structured vehicle incorporated and operating in PRC. The primary activity of the joint venture is investment in film industry.

The summarised financial information of the Group's joint venture extracted from its management accounts, adjusted for differences in accounting policies, are as follows:

	2015 HK$'000	2014 HK$'000
Current assets	**4,226**	5,312
Included in the above amounts are:		
Cash and cash equivalents	**1**	5,312
Revenue	**–**	–
(Loss)/Profit for the year	**(876)**	1
Included in the above amounts are:		
Administrative expenses	**(887)**	–
Interest income	**11**	1
Reconciled to the Group's interest in the joint venture:		
Gross amounts of net assets of the joint venture	**5,400**	6,248
Group's effective interest	**40%**	40%
Group's share of net assets of the joint venture	**2,160**	2,499
Carrying amount in the consolidated financial statements	**2,160**	2,499

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19. NON-CURRENT ASSETS HELD FOR SALE

In January 2015, the Group entered into a sale and purchase agreement with an independent third party, under which the Group as a vendor disposed of its 20% equity interest in Loongson Technology Co., Ltd at a total consideration of RMB200,000,000 (equivalent to approximately HK$249,857,000). Details of the aforesaid transaction are more particularly disclosed in the Company's announcement dated 29 January 2015.

A gain on disposal of HK$165,554,000 was recognised during the year ended 31 December 2015.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015 **HK$'000**	2014 HK$'000
Deposits and prepayments	**910,190**	580,041
Other receivables	**1,557,031**	907,967
	2,467,221	1,488,008
Less: Provision for impairment of other receivables	**(45,096)**	(83,207)
	2,422,125	1,404,801
Less: Non-current portion		
Long term rental deposits	**185,741**	218,482
Deposits for purchase of property, plant and equipment	**27,933**	186,154
	213,674	404,636
	2,208,451	1,000,165

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly. The movement in the provision for impairment of other receivables is as follows:

	2015 **HK$'000**	2014 HK$'000
At the beginning of the year	**83,207**	52,896
Write-back for impairment during the year	**(12,887)**	–
Provision for impairment	**–**	31,295
Amount written off as uncollectible	**(22,392)**	–
Exchange differences	**(2,832)**	(984)
At the end of the year	**45,096**	83,207

At each of the reporting dates, the Group's other receivables are individually assessed for impairment. The Group encountered difficulties in collection of certain other receivables and appropriate provision for impairment had been made against these other receivables. The individually impaired receivables are recognised based on the credit history of its debtors, their financial position and record of delinquency in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances. Except for the amount impaired, none of the above assets is either past due or impaired.

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21. INTANGIBLE ASSETS

	Computer software HK$'000	Development cost HK$'000	Goodwill HK$'000	Licenses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2014						
Cost	308,170	111,332	99,658	40,957	2,066	562,183
Accumulated amortisation	(305,552)	(25,712)	–	(341)	(986)	(332,591)
Accumulated impairment	–	–	(8,030)	–	–	(8,030)
Net carrying amount	2,618	85,620	91,628	40,616	1,080	221,562
Year ended 31 December 2014						
Opening net carrying amount	2,618	85,620	91,628	40,616	1,080	221,562
Additions	2,612	3,076	–	777	–	6,465
Amortisation charge for the year	(2,460)	(69,912)	–	(4,149)	–	(76,521)
Exchange differences	(66)	(1,713)	(1,758)	(971)	–	(4,508)
Closing net carrying amount at 31 December 2014	2,704	17,071	89,870	36,273	1,080	146,998
At 31 December 2014 and 1 January 2015						
Cost	303,218	112,556	92,311	41,174	1,080	550,339
Accumulated amortisation	(300,514)	(95,485)	–	(4,901)	–	(400,900)
Accumulated impairment	–	–	(2,441)	–	–	(2,441)
Net carrying amount	2,704	17,071	89,870	36,273	1,080	146,998
Year ended 31 December 2015						
Opening net carrying amount	**2,704**	**17,071**	**89,870**	**36,273**	**1,080**	**146,998**
Additions	**1,571**	**19,309**	**–**	**–**	**–**	**20,880**
Acquisition of subsidiaries	**51,297**	**–**	**25,971**	**–**	**–**	**77,268**
Amortisation charge for the year	**(3,915)**	**(4,860)**	**–**	**(4,091)**	**–**	**(12,866)**
Exchange differences	**(2,140)**	**(1,208)**	**(3,621)**	**(1,494)**	**–**	**(8,463)**
Closing net carrying amount at 31 December 2015	**49,517**	**30,312**	**112,220**	**30,688**	**1,080**	**223,817**
At 31 December 2015						
Cost	**340,854**	**126,244**	**114,661**	**39,619**	**1,080**	**622,458**
Accumulated amortisation	**(291,337)**	**(95,932)**	**–**	**(8,931)**	**–**	**(396,200)**
Accumulated impairment	**–**	**–**	**(2,441)**	**–**	**–**	**(2,441)**
Net carrying amount	**49,517**	**30,312**	**112,220**	**30,688**	**1,080**	**223,817**

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21. INTANGIBLE ASSETS (Continued)

As at 31 December 2015, certain intangible assets amounting to HK$3,146,000 (2014:HK$4,479,000) were charged to secure banking facilities as detailed in note 45.

For the purpose of the annual impairment test, the carrying amount of goodwill is allocated to the following cash-generating units ("CGU"):

	2015 HK$'000	2014 HK$'000
Corporate IT application services	**81,961**	84,864
Culture and media services — Cinema business	**30,259**	5,006
Net carrying amount at 31 December	**112,220**	89,870

The recoverable amounts for the CGUs given above were determined based on value in use calculations, covering a detailed five to seven years financial budgets which was approved by management, cash flows for certain CGU are extrapolated using an estimated weighted average growth rate stated below, which does not exceed the long-term growth rate for the business in which the CGU operates.

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

	Corporate IT application services		**Culture and media services — cinema business**	
	2015	2014	**2015**	2014
Discount rates	**14%–19%**	14%–22%	**14%**	12%
Growth rates used to extrapolate cashflows beyond the budgeted period	**0%–3%**	0%–3%	**1%**	1%

The budgeted gross margin and net profit margin were determined by the management for each individual CGU based on past performance and its expectations for market development.

The growth rate used for each of the above CGU is determined by reference to the average growth rate for the corresponding industry to which the CGU belongs.

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

Apart from the considerations described in determining the value in use calculation of the CGU above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

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22. INVENTORIES

	2015 HK$'000	2014 HK$'000
Property development:		
Properties under development	**6,970,146**	5,659,984
Completed properties held for sale	**163,993**	260,359
Other operations:		
Confectionery	**14,033**	9,868
Projection equipments	**29,822**	–
Others	**10,282**	1,493
	7,188,276	5,931,704

All the above inventories are stated at cost.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at fair value through profit or loss are classified as held for trading. The fair value of the Group's investments in listed securities has been determined by reference to their quoted bid prices at the reporting date.

24. TRADE RECEIVABLES

Based on the invoice dates, the aging analysis of the trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
0–90 days	**299,137**	74,770
91–180 days	**13,148**	42,349
181–270 days	**10,298**	13,289
271–360 days	**4,854**	5,189
Over 360 days	**26,313**	20,849
Trade receivables, gross	**353,750**	156,446
Less: Provision for impairment of receivables	**(21,640)**	(18,523)
Trade receivables, net	**332,110**	137,923

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24. TRADE RECEIVABLES (Continued)

Trade receivables are due on presentation of invoices.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the provision for impairment of trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
At the beginning of the year	**18,523**	19,241
Provision for impairment (note 8)	**4,202**	888
Write-back during the year	**–**	(1,073)
Exchange differences	**(1,085)**	(533)
At the end of the year	**21,640**	18,523

At each of the reporting dates, the Group's trade receivables were individually assessed for impairment. The Group encountered difficulties in collection of certain trade receivables and appropriate provision for impairment has been made against certain trade receivables. The individually impaired receivables are recognised based on the credit history of its customers, their financial positions and record of delinquency in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

The aging analysis of trade receivables that are not considered to be impaired is as follows:

	2015 HK$'000	2014 HK$'000
0–90 days past due	**299,137**	74,450
91–180 days past due	**13,136**	42,349
181–270 days past due	**10,276**	11,281
271–360 days past due	**4,822**	4,236
Overdue for more than 360 days	**4,739**	5,607
	332,110	137,923

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The directors of the Company consider that the fair value of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

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25. CASH AND CASH EQUIVALENTS, PLEDGED AND RESTRICTED BANK DEPOSITS AND TIME DEPOSITS MATURING OVER THREE MONTHS

	2015	2014
	HK$'000	HK$'000
Cash and bank balances	**2,724,519**	1,400,810
Less: Pledged and restricted bank deposits presented as non-current assets	**(195,276)**	(45,614)
Less: Pledged and restricted bank deposits presented as current assets	**(1,725,537)**	(1,074,694)
Less: Time deposits maturing over three months presented as current assets	**(12)**	(625)
Cash and cash equivalents as stated in the statement of financial position	**803,694**	279,877

Included in cash and bank balance of the Group is an aggregate amount of approximately HK$2,647,172,000 (2014: HK$1,396,800,000), which represented Renminbi ("RMB") deposits placed with banks in Mainland China.

RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks which are authorised to conduct foreign exchange business.

Pledged and restricted bank deposits earn interest at floating rates based on daily bank deposit rates or fixed-rates ranging from 1.50% to 3.30% per annum (2014: floating rates based on daily bank deposit rates). For the year ended 31 December 2015, time deposits maturing over three months earned fixed-rate interest at 2.75% per annum (2014: fixed-rate interest at 4.45% per annum).

26. TRADE PAYABLES

Based on invoice dates, the aging analysis of the trade payables is as follows:

	2015	2014
	HK$'000	HK$'000
0–90 days	**363,988**	115,433
91–180 days	**37,549**	1,622
181–270 days	**72,375**	2,131
271–360 days	**40,092**	2,026
Over 360 days	**124,621**	150,807
	638,625	272,019
Less: Non-current portion of trade payables	**(68,087)**	–
	570,538	272,019

The long term trade payable represents the outstanding balance payable to a supplier who has granted a settlement schedule of 36 months to the Group. The balance carries interest at 4% per annum and the current portion and long term portion of this payable were HK$66,315,000 and HK$68,087,000 respectively (2014: nil and nil). All the remaining amounts are short term and hence the carrying values of the Group's trade payables are considered to be a reasonable approximation of fair value.

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27. OTHER PAYABLES AND ACCRUALS

In last financial year, included in the Group's other payables and accruals was RMB13,050,000 (equivalent to approximately HK$16,718,000) in respect of deferred government grants mainly related to the Group's design, research and development of new software products by the Group which contributed positively to the local industry environment. The deferred government grant amounting to RMB11,600,000 (equivalent to approximately HK$14,580,000) has been recognised as "other operating income" during the year ended 31 December 2014 upon those prescribed conditions were satisfactorily fulfilled (note 5(b)) and the remaining deferred government grant amounting to RMB1,450,000 (equivalent to approximately HK$1,799,000) was derecognised upon disposal of subsidiaries (note 39(a)).

All amounts are short term and hence the carrying values of the Group's other payables and accruals are considered to be a reasonable approximation of fair value.

28. LOAN RECEIVABLE FROM/AMOUNT(S) DUE FROM/(TO) A DIRECTOR/A SHAREHOLDER/ASSOCIATE(S)

(a) Amount due to a director

The amount due to a director is unsecured, interest-free and repayable on demand.

(b) Amount due to a shareholder

The amount due to a shareholder is unsecured, interest-free and repayable on demand.

(c) Amounts due from/(to) associates

The amounts due from/(to) associates are unsecured, interest-free and repayable on demand except for the amount due to an associate of HK$4,178,000 (2014: Nil) is repayable on or before 28 March 2016.

(d) Loan receivable from an associate

The loan is unsecured, interest-free and has no fixed repayment term. The directors consider that the balance will not be recovered within twelve months from the end of the reporting period. The amount is initially measured at fair value and subsequently carried at amortised cost using effective interest method by applying an effective interest rate of 10%.

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29. BANK AND OTHER BORROWINGS

	Notes	2015 HK$'000	2014 HK$'000
Bank loans, secured	(a)	**9,171,700**	4,563,957
Other borrowings, secured	(a),(b)	**855,383**	894,132
		10,027,083	5,458,089

At 31 December 2015, the bank and other borrowings of the Group are repayable as follows:

	2015 HK$'000	2014 HK$'000
On demand or within one year	**5,059,078**	3,049,047
In the second year	**537,823**	207,894
In the third to fifth years	**4,430,182**	2,201,148
Wholly repayable within 5 years	**10,027,083**	5,458,089
Less: Portion due on demand or within one year under current liabilities	**(5,059,078)**	(3,049,047)
Portion due over one year under non-current liabilities	**4,968,005**	2,409,042

Notes:

(a) At 31 December 2015, bank and other borrowings amounted to HK$3,602,650,000 (2014: HK$1,906,745,000) carry interest at floating rates ranging from 1.80% to 7.35% per annum (2014: 2.53% to 7.80% per annum). The remaining balances carry interest at fixed rates ranging from 2.10% to 20.00% per annum (2014: 6.00% to 20.00% per annum). The carrying amounts of bank and other borrowings approximate their fair values.

(b) Included in other borrowings of HK$425,848,000 (2014: HK$402,636,000) is amount due to financial institutions regarding three (2014: two) sales and leaseback arrangements for property, plant and equipment. The transactions are classified as loan financing and corresponding property, plant and equipment of HK$414,070,000 (2014: HK$387,187,000) are pledged under this arrangement.

(c) The carrying amounts of the borrowings are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
RMB	**8,283,548**	4,242,221
USD	**1,743,535**	1,215,868
	10,027,083	5,458,089

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30. FINANCE LEASE LIABILITIES

(a) Total minimum lease payments is as follows:

	2015 HK$'000	2014 HK$'000
Due within one year	**17,188**	649
Due in the second year	**17,188**	537
Due in the third to fifth years	**15,425**	699
	49,801	1,885
Future finance charges on finance leases	**(6,699)**	(132)
Present value of finance lease liabilities	**43,102**	1,753

(b) The present value of finance lease liabilities is as follows:

	2015 HK$'000	2014 HK$'000
Due within one year, included under current liabilities	**13,509**	585
Due in the second year, included under non-current liabilities	**14,913**	496
Due in the third to fifth years, included under non-current liabilities	**14,680**	672
	43,102	1,753

The Group has entered into finance leases for item of cinema equipment, office equipment and motor vehicles (2014: office equipment and motor vehicles) with remaining lease terms of three to four years (2014: one to five years). Interest rate under the leases is fixed at 2.00% to 7.10% (2014: 2.00% to 3.33%) per annum. The lease does not have options to renew or any contingent rental provisions. Under the lease terms, the Group has the option to purchase the leased asset at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the leases.

Finance lease liabilities are secured by the underlying assets where the lessor has the rights to revert in event of default. The carrying amount of the finance lease liabilities are denominated in Hong Kong dollars and approximates their fair values.

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31. FINANCE FROM A THIRD PARTY AND FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Finance from a third party

	2015 **HK$'000**	2014 HK$'000
Due within one year	–	291,992

The Group has repaid the amount due to a third party in full in 2015.

The balance as at 31 December 2014 represents the amount due to Baitak Asian Shenzhen Peninsula Co., Ltd ("Baitak"), an independent third party financier. The amount is secured by shares mortgage of certain subsidiaries, bank accounts charges, assignment of shareholder's loan of certain subsidiaries, corporate guarantee of the Company and personal guarantee of a director.

The Group has restructured the financing with Baitak several times in the past few years. In 2012, the Group and Baitak entered into a sale and purchase agreement ("SPA") in respect of the disposal of the Group's 30% equity interest in Listar to Baitak ("30% Listar Disposal"), which from the accounting perspective should be considered as restructuring of indebtedness of the Group, as a result, a new debt should be recognised as the terms under the SPA include (i) guarantee of Internal Rate of Return of 12% on the consideration; (ii) mandatory cash distribution to Baitak conditional upon cash available for distribution; and (iii) put option of the 30% equity interest in Listar granted to Baitak. Details of the 30% Listar Disposal are more particularly disclosed in the announcement dated 31 October 2012 issued by the Company and the annual report for 2013 of the Company.

(b) Financial liability at fair value through profit or loss

After taking into account of a valuation by an independent professional valuer, the Company's directors are of the view that there is no commercial value for the call option of the 30% equity interest in Listar that the Group is entitled to under the SPA as at 31 December 2015 (2014: no commercial value), and that the fair value of the put option as at 31 December 2015 amounted to HK$121,589,000 (2014: HK$59,423,000). The aforesaid amount was recorded as "financial liability at fair value through profit or loss" and the loss of HK$62,166,000 (2014: gain of HK$1,588,000) between the fair value of the put option in 2015 and 2014 was charged/credited to profit and loss accounts. Since the put option is exercisable 36 months after the completion day of the 30% Listar Disposal, i.e. after 31 December 2015, its financial liability was recorded as a current liability in current year (2014: non-current liability).

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32. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Tax loss HK$'000	Provision of PRC LAT HK$'000	Total HK$'000
At 1 January 2014	–	115,758	115,758
Deferred tax charged to the income statement (note 9)	–	7,562	7,562
Exchange differences	–	(2,879)	(2,879)
At 31 December 2014 and 1 January 2015	**–**	**120,441**	**120,441**
Deferred tax credited/(charged) to the income statement (note 9)	**85,829**	**(96,621)**	**(10,792)**
Exchange differences	**(2,644)**	**1,253**	**(1,391)**
Gross deferred tax assets at 31 December 2015	**83,185**	**25,073**	**108,258**

At 31 December 2015, the amount of unused tax losses for which no deferred tax assets is recognised in the consolidated statement of financial position is as follows:

	2015 HK$'000	2014 HK$'000
Temporary differences attributable to:		
— unused tax losses	**822,343**	1,044,358

Deferred tax asset in respect of these tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Mainland China amounted to HK$760,392,000 (2014: HK$986,974,000) can be carried forward for five years while tax losses of the subsidiaries operating in Hong Kong amounted to HK$61,951,000 (2014: HK$57,384,000) can be carried forward indefinitely under the current tax legislation.

Notes to the Financial Statements

For the year ended 31 December 2015

32. DEFERRED TAX (Continued)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Fair value adjustments on investment properties HK$'000	Temporary difference on receipt in advance HK$'000	Total HK$'000
At 1 January 2014	10,239	–	22,147	32,386
Deferred tax credited to the income statement (note 9)	(1,088)	–	(302)	(1,390)
Exchange differences	(245)	–	60	(185)
At 31 December 2014 and 1 January 2015	**8,906**	**–**	**21,905**	**30,811**
Acquisition of subsidiaries (note 40(i))	**10,547**	**–**	**–**	**10,547**
Deferred tax (credited)/charged to the income statement (note 9)	**(4,763)**	**38,268**	**(296)**	**33,209**
Exchange differences	**4,020**	**(1,179)**	**(969)**	**1,872**
Gross deferred tax liabilities at 31 December 2015	**18,710**	**37,089**	**20,640**	**76,439**

33. PROVISION FOR WARRANTY

	HK$'000
At 1 January 2014, 31 December 2014 and 1 January 2015	**–**
Acquisition of subsidiaries (note 40(i))	**5,208**
Additional provision	**365**
Exchange differences	**(172)**
At 31 December 2015	**5,401**

The Group provides one to three years warranty for its movie projection equipment, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

34. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	HK$'000
Authorised:		
At 1 January 2014, 31 December 2014 and **31 December 2015**	**500,000,000,000**	**5,000,000**
Issued and fully paid:		
At 1 January 2014, 31 December 2014 and **31 December 2015**	**68,645,535,794**	**686,455**

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For the year ended 31 December 2015

35. SHARE OPTION SCHEME

The Company operates a share option scheme.

On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board of the Company.

Under the ordinary resolution passed at the annual general meeting on 28 May 2012, the Board of the Company adopted a new share option scheme and simultaneously terminated the share option scheme adopted on 29 August 2002. Under the new scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board of the Company.

There are no outstanding share options at 31 December 2015 (2014: Nil).

36. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 82 of the financial statements.

Notes:

(a) Capital reserve of the Group mainly represented the reserves arising from capital reduction pursuant to a special resolution passed on 30 April 2002 and the amount previously recognised in share option reserve arising from the exercise of share options.

(b) General reserve of the Group includes capital reserve arising from acquisitions of subsidiaries in prior years and statutory reserves. Subsidiaries of the Company established in Mainland China are required to transfer 10% of their profit after tax calculated in accordance with the PRC accounting regulations to the statutory reserve until the reserve reaches 50% of their respective capital upon which any further appropriation will be at the directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.

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For the year ended 31 December 2015

36. RESERVES (Continued)

Company

	Share premium HK$'000	Contributed surplus (note a) HK$'000	Capital reserve (note b) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	965,911	1,971,857	7,480	(1,057,293)	1,887,955
Loss for the year	–	–	–	(189,942)	(189,942)
At 31 December 2014 and 1 January 2015	**965,911**	**1,971,857**	**7,480**	**(1,247,235)**	**1,698,013**
Loss for the year	**–**	**–**	**–**	**(196,394)**	**(196,394)**
At 31 December 2015	**965,911**	**1,971,857**	**7,480**	**(1,443,629)**	**1,501,619**

Notes:

(a) Contributed surplus of the Company includes the difference between the aggregate net asset value of the subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition and the reserves arising from capital reduction pursuant to a special resolution passed on 30 April 2002. Under the Bermuda Companies Act, the contributed surplus is distributable to the shareholders under certain circumstances.

(b) Capital reserve of the Company represents the amount of equity-settled share-based compensation previously recognised transferred from the share options reserve when the share options are exercised.

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37. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Amounts due from subsidiaries		**85,517**	37,018
		85,517	37,018
Current assets			
Amounts due from subsidiaries		**5,707,878**	4,956,728
Amount due from an associate		**139,526**	139,412
Deposits and other receivables		**2,145**	474
Cash and cash equivalents		**55,546**	1,555
		5,905,095	5,098,169
Current liabilities			
Other payables and accruals		**372,131**	177,922
Amount due to a director		**1,463**	11,594
Amounts due to subsidiaries		**837,545**	444,704
Bank and other borrowings		**1,220,842**	650,494
Loan from subsidiaries		**1,370,557**	1,466,005
		3,802,538	2,750,719
Net current assets		**2,102,557**	2,347,450
Total assets less current liabilities		**2,188,074**	2,384,468
Net assets		**2,188,074**	2,384,468
EQUITY			
Share capital	34	**686,455**	686,455
Reserves	36	**1,501,619**	1,698,013
Total equity		**2,188,074**	2,384,468

Yu Pun Hoi
Director

Chen Dan
Director

Notes to the Financial Statements

For the year ended 31 December 2015

38. NON-CONTROLLING INTERESTS

Sino-i, a 62.85% owned subsidiary of the Company, has material non-controlling interests ("NCI"). The NCI of all other subsidiaries that are not 100% owned by the group are considered to be immaterial.

Summarised financial information in relation to the NCI of Sino-i, before intra-group eliminations, is presented below:

	2015 **HK$'000**	2014 HK$'000
Non-current assets	**2,160,708**	2,272,190
Current assets	**403,006**	283,866
Current liabilities	**(706,388)**	(774,892)
Non-current liabilities	**(93,492)**	(46,680)
Net assets	**1,763,834**	1,734,484
Accumulated NCI	**669,472**	660,412
Revenue	**808,287**	784,763
Profit/(Loss) for the year	**46,052**	(118,249)
Total comprehensive income for the year	**29,350**	(114,183)
Profit/(Loss) allocated to NCI	**15,966**	(45,743)
Dividend paid to NCI	**–**	–
Cash flows from operating activities	**(39,976)**	34,297
Cash flows from investing activities	**110,423**	(33,644)
Cash flows from financing activities	**1,413**	(8,447)
Net cash inflows/(outflows)	**71,860**	(7,794)

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For the year ended 31 December 2015

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal and dissolution of subsidiaries

In the year of 2014, the Group entered into sale and purchase agreement to dispose of 32.49% equity interests in a subsidiary, namely 北京共創開源軟件有限公司, to an independent third party at a consideration of approximately HK$62,000. The disposal was completed on 28 May 2014. In addition, two subsidiaries have been dissolved during 2014. The carrying amounts of the net liabilities of these subsidiaries at the date of disposal and dissolution were as follows:

	2014 HK$'000
Net liabilities disposed of:	
Cash and cash equivalents	1
Other payables and accruals	(19)
Deferred government grants (note 27)	(1,799)
Non-controlling interests	(7,448)
	(9,265)
Exchange reserve released on disposal and dissolution	13,149
Loss on disposal and dissolution of subsidiaries	(3,822)
Total consideration	62
Satisfied by:	
Cash	62

An analysis of net inflow of cash and cash equivalents in respect of the disposal and dissolution of subsidiaries was as follows:

	2014 HK$'000
Net cash inflow arising on the disposal and dissolution of subsidiaries	
Cash consideration received	62
Cash and cash equivalents disposed of	(1)
	61

(b) Major non-cash transactions

During the year ended 31 December 2015, certain non-current deposits and other receivables of the Group amounting to approximately HK$127,811,000 (2014: HK$1,402,000) were transferred to property, plant and equipment.

The Group entered into finance lease arrangements in respect of certain assets with a total capital value of approximately HK$44,332,000 (2014: HK$1,987,000) at the inception of the lease.

Notes to the Financial Statements

For the year ended 31 December 2015

40. BUSINESS COMBINATIONS

During the year ended 31 December 2015, the Group acquired equity interest of certain companies owned by independent third party.

The Group's material business combinations are detailed as follows:

(i) The Group entered into a sale and purchase agreement in respect of the acquisition of 100% equity interest in 數碼辰星科技發展(北京)有限公司 (Digicine Oristar Technology Development (Beijing) Company Limited) ("Oristar"), which is a company incorporated in the PRC, on 25 May 2015. Oristar is principally engaged in sales of movie projection equipment and provision of digital media technology services. The acquisition was completed on 1 June 2015 (the "Acquisition Date").

The fair values of the identifiable assets and liabilities of Oristar as at the Acquisition Date were as follows:

	Fair value HK$'000
Property, plant and equipment	**4,395**
Intangible assets	**51,297**
Long term trade receivables	**57,891**
Inventories	**27,885**
Trade receivables (note (c))	**23,813**
Deposit, prepayment and other receivables (note (c))	**10,590**
Cash and cash equivalents	**4,595**
Trade payables	**(66,781)**
Other payables and accruals	**(62,555)**
Long term trade payables	**(41,420)**
Bank and other borrowings	**(5,896)**
Deferred tax liabilities (note 32)	**(10,547)**
Provision for warranty (note 33)	**(5,208)**
Total identifiable net liabilities at fair value	**(11,941)**
Goodwill (note (b))	**11,941**
Fair value of consideration (note (a))	**–**
Purchase consideration settled in cash	**–**
Add: Cash and cash equivalents in subsidiary acquired	**4,595**
Net cash inflows	**4,595**

Notes:

(a) Pursuant to the sale and purchase agreement, the consideration for the acquisition is a RMB1 (equivalent to HK$1) which was satisfied by cash.

(b) The goodwill arising from the acquisition of Oristar represents the synergetic effect by enabling the Group to have its source of movie projector for the cinema segment in a more efficient and cost-effective manner by taking the advantages of Oristar's trading business and services related to the movie projector market in the PRC.

(c) The fair value and the gross amount of trade receivables and other receivables amounted to HK$23,813,000 and HK$10,590,000 respectively. None of these receivables was impaired and it was expected that the full contractual amounts could be collected.

(d) The Group incurred transaction cost of HK$62,000 for the acquisition which have been expensed and recognised as administrative expense in the profit or loss for the year.

(e) Oristar has contributed revenue of HK$72,187,000 and net profit of HK$2,903,000 to the Group since the Acquisition Date to 31 December 2015. Had the acquisition occurred on 1 January 2015, consolidated revenue and consolidated profit for the year would have been HK$4,247,904,000 and HK$241,378,000 respectively.

Notes to the Financial Statements

For the year ended 31 December 2015

40. BUSINESS COMBINATIONS (Continued)

(ii) For the year ended 31 December 2015, the Group completed the acquisition of 100% equity interest in 重慶煥揚影院管理有限公司 ("煥揚") on 21 December 2015 (the "Acquisition Date"). 煥揚 is a company incorporated in the PRC and is principally engaged in cinema operation. The Group will expand its presence in Chongqing through this acquisition.

The fair values of the identifiable assets and liabilities of 煥揚 as at the Acquisition Date were as follows:

	Fair value HK$'000
Property, plant and equipment	16,094
Inventories	82
Amount due from a related party	1,433
Deposits, prepayment and other receivables (note (c))	619
Cash and cash equivalents	314
Trade payables	(32)
Other payables and accruals	(6,538)
Amount due to a related party	(5,050)
Total identifiable net assets at fair value	6,922
Goodwill (note (b))	12,905
Fair value of consideration (note (a))	19,827
Purchase consideration settled in cash	(19,827)
Add: Cash and cash equivalents in subsidiary acquired	314
Net cash outflows	(19,513)

Notes:

(a) Pursuant to the sale and purchase agreement, the consideration for the acquisition is RMB16,607,000 (equivalent to HK$19,827,000) which was satisfied by cash.

(b) The goodwill arising from the acquisition of 煥揚 represents the synergetic effect by enabling the Group to expand its cinema coverage in a more efficient and cost-effective manner by taking the advantages of 煥揚's existing customer network in the Chongqing.

(c) The fair value and the gross amount of deposits, prepayment and other receivables amounted to HK$619,000. None of these receivables was impaired and it was expected that the full contractual amounts could be collected.

(d) The Group incurred transaction cost of HK$181,000 for the acquisition which have been expensed and recognised as administrative expense in the profit or loss for the year.

(e) 煥揚 has not contributed any revenue and net profit to the Group since the Acquisition Date. Had the acquisition occurred on 1 January 2015, consolidated revenue and consolidated profit for the year would have been HK$4,228,019,000 and HK$250,779,000 respectively.

There was no business combination during the year ended 31 December 2014.

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For the year ended 31 December 2015

41. RETIREMENT BENEFIT PLANS

Defined contribution retirement plans

The Group operates a MPF scheme and an ORSO scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees.

Subsidiaries operating in Mainland China are required to participate in a defined contribution retirement benefit plan organised by the relevant government authorities. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total cost charged to the consolidated income statement of HK$86,590,000 (2014: HK$80,848,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

42. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments and fees are disclosed as follows:

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2015				
Executive directors				
YU Pun Hoi	–	372	18	390
CHEN Dan	–	870	120	990
LIU Rong	–	720	89	809
Non-executive directors				
WANG Gang	240	–	–	240
LAM Bing Kwan	120	–	–	120
Independent non-executive directors				
Prof. JIANG Ping	377	–	–	377
LAU Yip Leung	120	–	–	120
HU Bin *	269	–	–	269
	1,126	1,962	227	3,315

* Resigned as independent non-executive director with effect from 3 February 2016.

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

(a) Directors' emoluments (Continued)

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2014				
Executive directors				
YU Pun Hoi	–	360	18	378
CHEN Dan	–	841	110	951
LIU Rong	–	832	110	942
Non-executive directors				
WANG Gang	240	–	–	240
LAM Bing Kwan	120	–	–	120
Independent non-executive directors				
Prof. JIANG Ping	376	–	–	376
LAU Yip Leung	120	–	–	120
HU Bin	300	–	–	300
	1,156	2,033	238	3,427

(b) Five highest paid individuals

None of directors (2014: one director) was included in the five highest paid individuals of the Group for the year, details of whose emoluments are set out above. The emoluments of the five (2014: remaining four) employees are as follows:

	2015 HK$'000	2014 HK$'000
Basic salaries, other allowances and benefits in kind	**6,123**	4,653
Pension contributions	**62**	70
	6,185	4,723

Notes to the Financial Statements

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

(b) Five highest paid individuals (Continued)

The emoluments of the five highest paid individuals, other than directors, fell within the following bands:

Emolument bands	Number of highest paid individuals 2015	2014
HK$1,000,001–HK$1,500,000	**4**	4
HK$1,500,001–HK$2,000,000	**1**	–
	5	4

During the years ended 31 December 2015 and 31 December 2014, no emoluments were paid to any of the Company's directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Mr. Hu Bin agreed to waive emoluments of approximately HK$24,000 in respect of the year ended 31 December 2015. None of the directors have waived or agreed to waive any emoluments in respect of the year ended 31 December 2014.

43. COMMITMENTS

(a) Capital commitments

At 31 December 2015, the Group had outstanding commitments as follows:

	2015 HK$'000	2014 HK$'000
Contracted but not provided for in respect of:		
— construction in progress	**68,581**	99,634
— expansion of cinema business	**414,189**	460,810
— acquisition of a subsidiary	**847,769**	–
	1,330,539	560,444

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For the year ended 31 December 2015

43. COMMITMENTS (Continued)

(b) Operating lease arrangement

At 31 December 2015, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Land and buildings	
	2015	2014
	HK$'000	HK$'000
Within one year	**516,721**	453,057
In the second to fifth years	**2,104,731**	1,925,283
Over five years	**4,491,323**	4,431,932
	7,112,775	6,810,272

The Group leases a number of properties under operating leases. The leases run for an initial period of one to twenty years (2014: one to twenty years), with options to renew the lease terms at the expiry dates or at days as mutually agreed between the Group and the respective landlords. In addition, the Group paid additional rental expenses in respect of certain operating leases which are dependent on the level of revenue achieved by particular properties.

44. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to/guarantee payment recoverable from:

	2015	2014
	HK$'000	HK$'000
Associates (Note i, ii)	**3,169,178**	2,566,476
Third parties (Note i)	**18,904**	43,185
	3,188,082	2,609,661

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44. CONTINGENT LIABILITIES (Continued)

Note:

(i) In February 1993, a Group's associate borrowed a loan of US$5 million from a Filipino bank namely Banco de Oro Unibank (branded as BDO) (formerly known as Equitable PCI Bank Inc. and then as Banco de Oro-EPCI Inc.) ("Banco Unibank"). The loan was secured by a guarantee executed by the Company ("Banco Unibank Guarantee"), and by share mortgage of 74,889,892 shares ("Philippines Shares") of Acesite (Philippines) Hotel Corporation Inc. ("Acesite Phils."). Due to the pending litigation as more particularly set out in note 46, the Group is not able to obtain updated indebtedness information from Banco Unibank. Given the foregoing limitation, it is estimated that the outstanding balance of the total indebtedness owing to Banco Unibank was approximately US$2,296,000 (equivalent to approximately HK$17,799,000) by reference to the unaudited financial statements of the associate as at 31 December 2015.

In addition to the Banco Unibank Guarantee, the Company executed another guarantee in favour of Singapore Branch of Industrial and Commercial Bank of China in respect of a loan facility of US$15,000,000 ("ICBC Loan") made available to Acesite Phils. in March 1995. Resulting from the purported foreclosure of the Philippines Shares, Acesite Phils. has been controlled by a third party. Therefore, the Group is not able to obtain any updated information of the outstanding balance of the indebtedness under the ICBC Loan ("ICBC Indebtedness"). Given the foregoing limitation, it is estimated that the ICBC Indebtedness was approximately US$2,439,000 (equivalent to approximately HK$18,904,000) by reference to the published financial information of Acesite Phils. as at 31 December 2015.

(ii) Guarantees provided to Baitak and CITIC in respect of Listar Group

A deed of covenants was executed among the Company, a subsidiary of the Company, Baitak, CITIC Real Estate (Hong Kong) Development Limited ("CITIC") and Listar in August 2013. As per the provisions of the deed of covenants, the Company and the subsidiary of the Company guarantee that both Baitak and CITIC can recover their total consideration in the acquisition of equity interest in Listar together with a return of 12% IRR and 10% IRR respectively. The guarantees were considered by the Company's directors to be of no effect on the Group's liabilities as Listar is expected to be able to meet the aforesaid obligation, therefore, such guarantees were also considered as no commercial value as per a valuation report prepared by an independent professional valuer.

45. CREDIT FACILITIES

As at 31 December 2015 and 31 December 2014, the Group's credit facilities were secured by the following:

(a) charge over interest in prepaid land lease payments under operating leases (note 15) with a net carrying value of approximately HK$25,318,000 (2014: approximately HK$27,017,000);

(b) charge over certain buildings (note 13) with total net carrying value of approximately HK$580,958,000 (2014: approximately HK$610,971,000);

(c) charge over certain investment properties (note 14), properties under development and completed properties held for sale (note 22) with a total carrying value of approximately HK$3,492,970,000 (2014: approximately HK$1,907,221,000);

(d) charge over financial assets at fair value through profit or loss (note 23) with a net carrying value of approximately HK$146,000 (2014: approximately HK$270,000);

(e) pledge of 11,162,999,000 (2014: 11,162,999,000) shares in Sino-i held by the Company indirectly in favour of certain securities brokers and a financial institution, the total of which represents approximately 89.19% (2014: 89.19%) of total interest of the Company in Sino-i. The market value of such listed shares as at 31 December 2015 was approximately HK$1,317,234,000 (2014: approximately HK$502,335,000);

(f) pledge of certain bank deposits (note 25) of approximately HK$1,920,813,000 (2014: approximately HK$1,120,308,000), of which approximately HK$1,443,314,000 (2014: approximately HK$943,952,000) were for standby letters of credit issued by banks for a total amounts of US$182,480,000 (2014: US$96,292,000) and RMB Nil (2014: RMB130,000,000);

(g) charge over certain intangible assets (note 21) with net carrying value of approximately HK$3,146,000 (2014: approximately HK$4,479,000);

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45. CREDIT FACILITIES (Continued)

(h) personal guarantee given by directors;

(i) charge over trade receivables (note 24) with carrying value of HK$Nil as at 31 December 2015 (2014: approximately HK$38,462,000);

(j) charge over certain property, plant and equipment, other than buildings disclosed in note 45(b), of HK$414,070,000 (2014: HK$387,187,000)(note 29(b)); and

(k) pledge of various shares mortgage of certain subsidiaries, bank accounts charges and assignment of shareholder's loan of certain subsidiaries and an associate and corporate guarantee of the Company (note 31).

46. PENDING LITIGATIONS

(a) In respect of the purported sale of Philippines Shares, which were mortgaged by Acesite Limited ("Acesite"), by Banco Unibank, to Waterfront Philippines Inc. ("Waterfront"), a Filipino company, in February 2003, Acesite, a former subsidiary of Sino-i; Evallon Investment Limited, a wholly-owned subsidiary of Sino-i; Mr. Yu Pun Hoi, the chairman and executive director of both the Company and Sino-i and, South Port Development Limited, a former wholly-owned subsidiary of Sino-i as first, second, third and fourth plaintiff respectively issued a claim against Banco Unibank and Waterfront, on the grounds that the purported sale of the Philippines Shares was unlawful as such sale was in breach of the terms of the mortgage; in breach of a compromise agreement reached in January 2003; and in other breaches, for damages; further or other relief; interest and costs and etc. in February 2006 under High Court Number of HCCL 5 of 2006 ("Case"). The Case is still in progress and no date has been fixed for trial.

(b) Dadi Media, a wholly-owned subsidiary of Sino-i, as plaintiff, issued a claim against two minority shareholders of CE Dongli Technology Group Company Limited (now known as 數碼慧谷置業管理股份有限公司), a subsidiary of Sino-i, for the sum of HK$27,750,498 together with interest thereon and costs in May 2004 under the High Court Number of HCA1130 of 2004. The two defendants filed a defence and counterclaim in June 2004 and then an amended defence and counterclaim in September 2004. The counterclaim was further amended and re-amended. In December 2004, the two defendants issued a claim against CE ASP, a wholly-owned subsidiary of Dadi Media, for (1) the sum of HK$806,250; (2) an award of compensation pursuant to section 32P of the Employment Ordinance; (3) the sum of HK$13,000; and (4) interest and costs under High Court Number HCA2892 of 2004. CE ASP filed a defence in March 2005. These two cases are still in progress and no trial date has been fixed.

The Group, after discussion with legal advisors considered that it would not incur a material outflow of resources as a result of the above matters.

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For the year ended 31 December 2015

47. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Remuneration for key management personnel represents amounts paid to the Company's director as disclosed in note 42(a).

(b) During the year, the Group entered into the following transactions with related parties:

	Transaction amounts 2015 HK$'000	Amounts due from/(to) related parties 2015 HK$'000
Non-exempted continuing connected transactions		
Provision of motion pictures by:		
— a company controlled by a director	(461,482)	(101,430)
Provision of advertising services to:		
— a company controlled by a director	22,155	19,520
Sales of projection equipment to:		
— a company controlled by a director	2,100	9,333
Exempted connected transactions		
Provision of advertising services by:		
— a company controlled by a director	(206)	(41)
Purchase of projection equipment from:		
— a company controlled by a director	N/A*	(2,517)
Rental income from:		
— companies controlled by a director	1,107	244
Deposits paid to:		
— a company controlled by a director	N/A*	5,203
Deposits paid to:		
— a company controlled by a director	N/A*	1,433

* The transactions were made before the companies became related parties

Notes:

The terms of above transactions are within normal trade credit terms and above balances due from/(to) related parties are unsecured, interest-free and repayable on demand.

The Group has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2015 regarding related party transactions.

There was no related party transaction during the year ended 31 December 2014 except remuneration for key management personnel described above.

Except as disclosed elsewhere in these financial statements, there was no material related party transaction carried out during the year.

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Board. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

Notes to the Financial Statements

For the year ended 31 December 2015

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The Board from time to time identifies ways to access financial markets and monitors the Group's financial risk exposures.

48.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	2015 HK$'000	2014 HK$'000
Financial assets		
Available-for-sale financial assets	**324**	324
Held-to-maturity investment	**155,205**	–
Financial assets at fair value through profit or loss	**1,433**	1,587
Loans and receivables:		
— Loan receivable from an associate	**369,848**	311,972
— Trade receivables	**332,110**	137,923
— Other receivables	**1,467,063**	837,495
— Amounts due from related parties	**35,733**	–
— Amounts due from associates	**530**	2,915
Pledged and restricted bank deposits	**1,920,813**	1,120,308
Time deposits maturing over three months	**12**	625
Cash and cash equivalents	**803,694**	279,877
	5,086,765	2,693,026

	2015 HK$'000	2014 HK$'000
Financial liabilities		
Financial liability at fair value through profit or loss:	**121,589**	59,423
Financial liabilities measured at amortised cost:		
— Trade payables	**570,538**	272,019
— Other payables and accruals	**1,161,765**	1,229,799
— Amount due to a director	**14,273**	6,240
— Amount due to a shareholder	**1**	1
— Amounts due to associates	**197,982**	6,981
— Amounts due to related parties	**103,988**	–
— Long term trade payables	**68,087**	–
— Bank and other borrowings	**10,027,083**	5,458,089
— Finance lease liabilities	**43,102**	1,753
— Finance from a third party	**–**	291,992
	12,308,408	7,326,297

Notes to the Financial Statements

For the year ended 31 December 2015

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

48.2 Foreign currency risk

Transactions in foreign currencies and the Group's risk management policies

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to some of its borrowings which is denominated in United States Dollars (US$) whereas the Group's operations and cash flows are in Renminbi. The exposure to foreign exchange risk is shown as below.

The policy to manage foreign currency risk has been followed by the Group since prior years and is considered to be effective.

Summary of exposure

US$ denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	2015 **HK$'000**	2014 HK$'000
Cash and cash equivalents, pledged and restricted bank deposits and time deposits maturing over three months	**54,794**	534
Trade receivables	**56,975**	763
Trade payables	**(48,648)**	(901)
Other payables	**(312,424)**	(112,629)
Finance from a third party	**–**	(291,992)
Other receivables	**1,606**	132
Bank and other borrowings	**(1,743,535)**	(1,215,868)
Net exposure arising from recognised financial assets and financial liabilities	**(1,991,232)**	(1,619,961)

Notes to the Financial Statements

For the year ended 31 December 2015

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

48.2 Foreign currency risk (Continued)

Sensitivity analysis

The following table illustrates the sensitivity of the Group's profit/loss for the year and accumulated losses in regards to a 0.5% (2014: 0.5%) strengthening/(weakening) of US$ against RMB at the reporting date and that all other variables in particular interest rates remain constant.

	2015			2014		
	Changes in foreign exchange rates	**(Decrease)/ Increase in profit for the year HK$'000**	**(Decrease)/ Increase in equity HK$'000**	Changes in foreign exchange rates	(Increase)/ Decrease in loss for the year HK$'000	(Decrease)/ Increase in equity HK$'000
US$/RMB	**+0.5%**	**(9,956)**	**(9,956)**	+0.5%	(8,100)	(8,100)
	-0.5%	**9,956**	**9,956**	-0.5%	8,100	8,100

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

48.3 Cash flow interest rate risk

The Group is exposed to interest rate risk through the impact of interest rate changes on interest bearing bank and other borrowings, cash and cash equivalents, pledged and restricted bank deposits and time deposits maturing over three months carrying interests at variable rates. Bank and other borrowings, cash and cash equivalents, pledged and restricted bank deposits carried at variable rates expose the Group to cash flow interest rate risk. The Group will review whether bank and other borrowings bearing fixed or floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of bank and other borrowings, and cash and cash equivalents, pledged and restricted bank deposits and time deposits maturing over three months of the Group are disclosed in the financial statements. The Group currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arise.

Notes to the Financial Statements

For the year ended 31 December 2015

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

48.3 Cash flow interest rate risk (Continued)

Cash flow interest rate risk sensitivity

At 31 December 2015, the Group was exposed to changes in market interest rates through its bank and other borrowings, cash and cash equivalents, pledged and restricted bank deposits and time deposits maturing over three months, which are subject to variable interest rates. The following table illustrates the sensitivity of the profit/loss for the year and accumulated losses to a change in interest rates of +50 basis points and -50 basis points (2014: +50 basis points and -50 basis points), with effect from the beginning of the year. The calculations are based on the Group's bank and other borrowings and bank balance held at each reporting date. All other variables are held constant.

	2015			2014		
	Changes in basis points	**(Decrease)/ Increase in profit for the year HK$'000**	**(Decrease)/ Increase in equity HK$'000**	Changes in basis points	(Increase)/ Decrease in loss for the year HK$'000	(Decrease)/ Increase in equity HK$'000
Interest rate	**+50**	**(3,566)**	**(3,566)**	+50	(2,842)	(2,842)
	-50	**3,566**	**3,566**	-50	2,842	2,842

48.4 Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices in respect of its investments in listed equity securities classified as financial assets at fair value through profit and loss.

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by Board. The Group's listed investments are listed on the Stock Exchange of Hong Kong, Shenzhen and Shanghai, Mainland China. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the index and other industry indicators, as well as the Group's liquidity needs. Investments held in the available for sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

Notes to the Financial Statements

For the year ended 31 December 2015

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

48.4 Other price risk (Continued)

Equity price sensitivity

For listed equity securities, an average volatility of 6% has been observed in 2015 (2014: 30%).The following table illustrates the sensitivity of the Group's profit/loss for the year and accumulated losses in regards to 6.0% (2014: 30.0%) volatility in respect of listed equity securities classified as held for trading.

	2015			2014		
	Changes in equity price	**Increase/ (Decrease) in profit for the year HK$'000**	**Increase/ (Decrease) in equity HK$'000**	Changes in equity price	Decrease/ (Increase) in loss for the year HK$'000	Increase/ (Decrease) in equity HK$'000
Listed equity securities	**+6.0%**	**88**	**88**	+30.0%	478	478
	-6.0%	**(88)**	**(88)**	-30.0%	(478)	(478)

The assumed volatilities of listed securities represent the management's assessment of a reasonably possible change in these security prices over the next twelve month period.

48.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. As at 31 December 2015, the Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligation and financial guarantees provided by the Group is arising from:

— carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

— the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 44.

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and 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 receivable regularly at each reporting date to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 24 and note 20, respectively.

Notes to the Financial Statements

For the year ended 31 December 2015

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

48.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the ability to close-out market positions. In the opinion of the Company's directors, the Group does not have any significant liquidity risk exposure taking into account of new banking facilities obtained in 2015.

The following table details the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2015					
Other payables and accruals	1,161,765	1,161,765	1,161,765	–	–
Amount due to a director	14,273	14,273	14,273	–	–
Amount due to a shareholder	1	1	1	–	–
Amounts due to associates	197,982	197,982	197,982	–	–
Amounts due to related parties	103,988	103,988	103,988	–	–
Bank and other borrowings	10,027,083	11,558,471	5,869,694	1,028,913	4,659,864
Trade payables	638,625	649,848	573,191	54,044	22,613
Finance lease liabilities	43,102	49,801	17,188	17,188	15,425
	12,186,819	13,736,129	7,938,082	1,100,145	4,697,902
Financial guarantee issued					
Maximum amount guaranteed	–	3,188,082	3,188,082	–	–

Notes to the Financial Statements

For the year ended 31 December 2015

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

48.6 Liquidity risk (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2014					
Trade payables	272,019	272,019	272,019	–	–
Other payables and accruals	1,229,799	1,229,799	1,229,799	–	–
Amount due to a director	6,240	6,240	6,240	–	–
Amount due to a shareholder	1	1	1	–	–
Amount due to an associate	6,981	6,981	6,981	–	–
Bank and other borrowings	5,458,089	6,122,135	3,381,229	432,914	2,307,992
Finance lease liabilities	1,753	1,885	649	537	699
Finance from a third party	291,992	291,992	291,992	–	–
	7,266,874	7,931,052	5,188,910	433,451	2,308,691
Financial guarantee issued					
Maximum amount guaranteed	–	2,609,661	2,609,661	–	–

For term loans which contain a repayment on demand clause that can be exercised at the bank's sole discretion, the analysis above shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the leaders were to invoke their unconditional rights to call the loans with immediate effect.

Taking into account the Group's financial position the directors of the Company do not consider it probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements which are summarised in the table below:

	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**On demand or within 1 year HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**
31 December 2015	**10,027,083**	**11,559,795**	**5,839,063**	**1,060,868**	**4,659,864**
31 December 2014	5,458,089	6,130,787	3,389,881	432,914	2,307,992

Notes to the Financial Statements

For the year ended 31 December 2015

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

48.7 Fair value

The carrying amounts of the following financial assets and financial liabilities approximate their fair value as all of them are in short-term nature: pledged and restricted bank deposits, time deposits maturing over three months, cash and cash equivalents, trade receivables and payables, other receivables and payables, current portion of bank and other borrowings, amounts due from/(to) a director/a shareholder/a third party/associates/related parties. Analysis of the interest rate and carrying amounts of borrowings are presented in note 29 to the financial statements.

The fair value of the club debenture are determined with reference to the quoted market bid price available to the second-hand market as at the reporting date. Given that the second hand market is not considered as an active market, the fair value of the club debenture are grouped into Level 2.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

— Level 1: quoted price (unadjusted) in active markets for identical assets and liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable of the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirely is based on the lowest level of input that is significant to the fair value measurement.

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2015				
Assets				
Available-for-sale financial assets	–	324	–	324
Listed securities held for trading	1,433	–	–	1,433
Total fair values	1,433	324	–	1,757
Liabilities				
Financial liabilities at fair value through profit or loss — Put Option	–	–	121,589	121,589
Total fair values	–	–	121,589	121,589

Notes to the Financial Statements

For the year ended 31 December 2015

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

48.7 Fair value (Continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2014				
Assets				
Available-for-sale financial assets	–	324	–	324
Listed securities held for trading	1,587	–	–	1,587
Total fair values	1,587	324	–	1,911
Liabilities				
Financial liabilities at fair value through profit or loss — Put Option	–	–	59,423	59,423
Total fair values	–	–	59,423	59,423

There have been no significant transfers between level 1, 2 and 3 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The fair value of the Put Option is determined using discounted cashflow model. The significant unobservable input used in the year end fair value measurement together with the relationship of unobservable inputs to fair value are set out as follows:

(1) the directors' assessment on the probability of the different scenario of the cashflow forecasts with the best case, base case and worst case scenario each with the probability of 5%, 90% and 5% respectively. A higher probability assigned to the worst case will result in a higher fair value.

(2) the selling price for the remaining phases of the property project for the worst case which is assumed to be reduced to in average of RMB9,000 per square meter. A lower expected selling price assigned to the worst case will result in a higher fair value.

(3) the discount rate used for the valuation is 19.25%. A lower discount rate assigned will result in a higher fair value.

Changes in Level 3 fair values are analysed at each reporting date by the management, with the assistance of valuation carried out by an independent professional valuer. The movement of the Put Option fair value during the year is set out in note 31(b).

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49. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current and previous years.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings, finance from a third party and finance lease liabilities and loan from subsidiaries less the sum of pledged and restricted bank deposits, time deposits maturing over three months and cash and cash equivalents as shown in the statements of financial position. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at the reporting date were as follows:

	2015 **HK$'000**	2014 HK$'000
Current liabilities		
Bank and other borrowings	**5,059,078**	3,049,047
Finance lease liabilities	**13,509**	585
Finance from a third party	**–**	291,992
Non-current liabilities		
Bank and other borrowings	**4,968,005**	2,409,042
Finance lease liabilities	**29,593**	1,168
Total debt	**10,070,185**	5,751,834
Less: Pledged and restricted bank deposits	**(1,920,813)**	(1,120,308)
Time deposits maturing over three months	**(12)**	(625)
Cash and cash equivalents	**(803,694)**	(279,877)
Net debt	**7,345,666**	4,351,024
Total equity	**3,916,565**	3,822,343
Total equity and net debt	**11,262,231**	8,173,367
Gearing ratio	**65.22%**	53.23%

50. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentation in current year:

(a) The change that has been made to the comparative figures in the consolidated income statement for the year ended 31 December 2014, to be consistent with the presentation in the current year's consolidated income statement, are the related expenditures of certain subsidiaries of Sino-i, a subsidiary of the Group, of approximately HK$106,410,000 being reclassified from "Administrative expenses" to "Selling and marketing expenses".

(b) The change that has been made to the comparative figures in the consolidated statement of financial position for the year ended 31 December 2014, to be consistent with the presentation in the current year's consolidated statement of financial position are the receipt in advance of approximately HK$431,216,000 being reclassified from "Other payables and accruals" to "Receipt in advance and deferred revenue".

List of Properties

PROPERTIES UNDER DEVELOPMENT

Location	Interest attributable to the Group in percentage	Floor area on completion in sq.m. (approx.)	Type of development	Expected year of completion	Stage of development
Reclaimed site located at Liu Wan, Shekou, Shenzhen, Guangdong Province, the PRC	100	556,000	Shopping arcade/ residential/hotel/ recreational facilities	2019	Construction in progress
A residential development located at Guanghua Gonglu, Huadu District, Guangdong Province, the PRC	43	857,000	Commercial/ residential	2017	Construction in progress

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out as follows:

	2015 **HK$'000**	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Revenue (continuing and discontinued operations)	**4,200,117**	3,153,015	2,318,601	1,953,568	2,365,811
Profit/(Loss) for the year attributable to:					
Owners of the Company	**238,875**	(701,731)	865,197	(346,063)	(494,746)
Non-controlling interests	**16,555**	(45,248)	(12,635)	(26,230)	(91,254)
Profit/(Loss) for the year	**255,430**	(746,979)	852,562	(372,293)	(586,000)
Total assets	**17,469,258**	12,661,095	12,662,510	13,698,821	11,820,198
Total liabilities	**(13,552,693)**	(8,838,752)	(7,971,619)	(9,847,230)	(7,632,678)
Net assets	**3,916,565**	3,822,343	4,690,891	3,851,591	4,187,520

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NAN HAI CORPORATION LIMITED

Stock Code : 680　股份代號 : 680

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Design and Production 設計及製作 : REF Financial Press Limited 縉豐財經印刷有限公司　Website 網址 : www.ref.com.hk