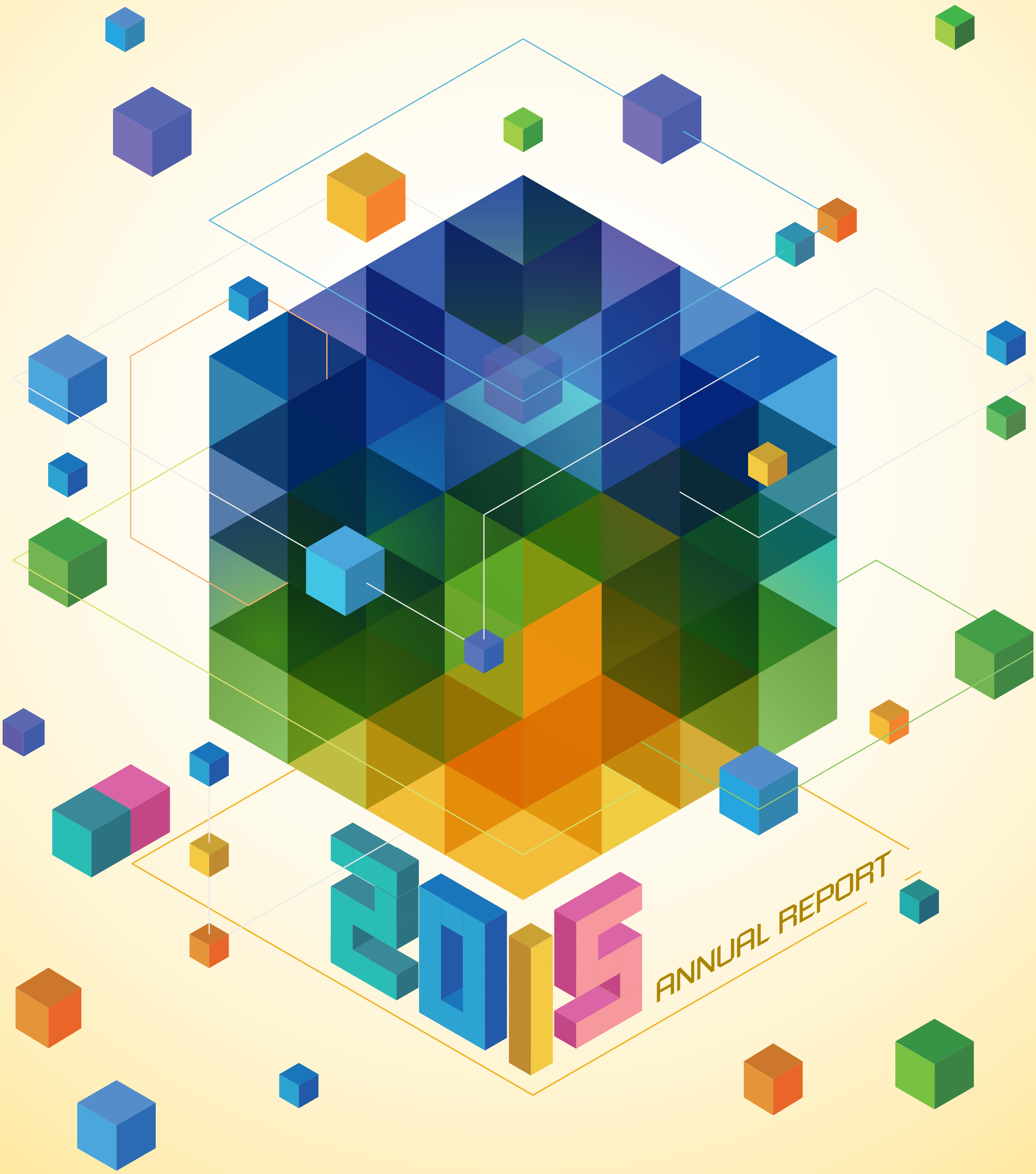
PING AN SECURITIES GROUP (HOLDINGS) LIMITED

(Formerly known as Madex International (Holdings) Limited)
(Incorporated in Bermuda with limited liability)
(Stock Code: 00231)



This report, in both English and Chinese versions, is available on the Company's website at http://www.pingansecgp.com (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive this report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Company's Hong Kong Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to the Hong Kong Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Zhang Guodong
Mrs. Nijssen Victoria
(formerly known as Ms. Liang Huixin)
Mr. Cheung Kam Fai

Non-executive Director:

Mr. William Keith Jacobsen

Independent Non-executive Directors:

Dr. Dong Ansheng
Mr. Wong Yee Shuen, Wilson
Mr. Tsang Wah Kwong

AUDIT COMMITTEE

Mr. Tsang Wah Kwong *(Chairman)*
Dr. Dong Ansheng
Mr. Wong Yee Shuen, Wilson

REMUNERATION COMMITTEE

Dr. Dong Ansheng *(Chairman)*
Mr. Wong Yee Shuen, Wilson
Mr. Tsang Wah Kwong
Mrs. Nijssen Victoria

NOMINATION COMMITTEE

Dr. Dong Ansheng *(Chairman)*
Mr. Wong Yee Shuen, Wilson
Mr. Tsang Wah Kwong
Mrs. Nijssen Victoria

AUTHORISED REPRESENTATIVES

Mr. Zhang Guodong
Mr. Chan Kwan Pak

COMPANY SECRETARY

Mr. Chan Kwan Pak

AUDITORS

Cheng & Cheng Limited
10/F., Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co. Ltd. (Hong Kong Branch)
Bank of East Asia Limited

PRINCIPAL REGISTRARS AND TRANSFER OFFICES

MUFG Fund Services Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 3005, 30/F, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

WEBSITE

www.pingansecgp.com

STOCK CODE

00231

On behalf of the board of directors ("the Directors") of Ping An Securities Group (Holdings) Limited ("the Company") and its subsidiaries (together "the Group"), I am pleased to present to the shareholders of the Company the annual report of the Group for the year ended 31 December 2015.

RESULTS

For the year ended 31 December 2015, the Group recorded a turnover of HK$50,465,000, representing an increase of approximately 52% from HK$33,107,000 for the last year. The Group's audited consolidated loss for the year under review amounted to HK$232,007,000, representing a decrease of approximately 60% when comparing with the loss of HK$573,620,000 for the year ended 31 December 2014.

BUSINESS REVIEW

2015 was a milestone year for the Group. Following the passing of a resolution by the shareholders of the Company on 14 January 2016, Certificate of Incorporation on Change of Name and Certificate of Secondary Name were issued by the Registry of Companies in the Bermuda on 2 February 2016 certifying that the change of name of the Company from "Madex International (Holdings) Limited" to "Ping An Securities Group (Holdings) Limited" and the secondary name "平安證券集團(控股)有限公司" were registered and took effect on 25 January 2016; and Certificate of Registration of Change of Name of non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 29 February 2016 confirming the registration of the new English name "Ping An Securities Group (Holdings) Limited" also known as "平安證券集團(控股)有限公司" in Hong Kong under Part XI of the Companies Ordinance.

The change of our company name has signified our embankment on a new line of business, i.e. the financial sector. On 10 March 2015, the Company entered into a sale and purchase agreement for an acquisition of Ping An Securities Limited ("Ping An Securities"), one of the well-established securities brokerage and financial advisory houses in Hong Kong providing a wide range of financial services, which include the provision of securities brokerage, securities underwriting and placements and financial advisory services, at a fair value of total consideration of HK$1,040 million. Completion of the acquisition took place on 25 September 2015, and since then Ping An Securities has become a wholly-owned subsidiary of the Company.

As the Hong Kong Stock Exchange has been ranked the world's top five in fundraising from initial public offerings every year since 2002 and was ranked the top second in 2015, and Ping An Securities generates most of its revenues from its equity capital market operation, especially in the marketing, distribution and allocation of news shares in initial public offerings on the Stock Exchange, the acquisition has broadened the income sources of the Group and helped diversify the Group's business portfolio.

Alongside this new line of business, during the year under review the Company's principal activity continued to be investment holding, whilst its subsidiaries were mainly engaged in property investment and development and trading of goods in mainland China.

In order to strengthen its presence in the China property market, the Group made an acquisition of a land use right of a piece of land in Xiqiao Town, Nanhai District, Foshan City, Guangdong Province from a substantial shareholder Mr. Liang Wenguan during the year. With a site area of 86,938 square metres, the land will be developed into a project with gross floor area of approximately 94,400 square metres, 92,000 square metres and 8,800 square metres for shops, offices and hotel development respectively under the current development plan. Construction works are now underway.

EXECUTIVE DIRECTOR'S STATEMENT

To fund the aforesaid new projects, the Group underwent some fundraising exercises during the year. On 18 August 2015, the Company entered into a share placing agreement with a placing agent, pursuant to which the agent had conditionally agreed to place, on a best effort basis, up to a maximum of 613,400,000 placing shares to not less than six share placees at a price of HK$0.163 per placing share. On the same day, the Company entered into a convertible bond ("CB") placing agreement with the placing agent, pursuant to which the agent had conditionally agreed to place, on a best effort basis, the CBs with a principal amount of up to HK$344,745,000 to not less than six CB placees. All 613,400,000 placing shares and CBs with an aggregate principal amount of HK$242,960,000 has been successfully placed. On 30 October 2015, the Company entered into another CB placing agreement with the placing agent, pursuant to which the agent had conditionally agreed to place, on a best effort basis, CBs with a principal amount of up to HK$102,000,000 to not less than six CB placees. CBs with principal amount of HK$100,100,000 has been successfully placed.

The total net proceeds from the above-mentioned placing exercises were approximately HK$442.5 million, of which approximately HK$242 million has been earmarked for the development of the Company's Xiqiao project and approximately HK$80 million for the daily operations of Ping An Securities Limited, and the remaining as general working capital of the Group.

FINANCIAL REVIEW

Revenue and earnings

During the year under review, the Group's Shenghui Plaza in Chongqing recorded rental income amounted to HK$22,760,000 (2014: HK$20,499,000), representing an increase of approximately 11%. A supermarket was set up in the Plaza providing international goods and groceries which recorded a turnover amounted to HK$10,532,000 (2014: Nil). The newly established supermarket is taking shape and will be another source of revenue for the Group in future. Ping An Securities recorded a turnover amounted to HK$17,173,000 (2014: Nil) comprising commission, brokerage income and underwriting income.

For the year under review, part of the Shenghui Plaza in Chongqing was disposed and a gain on disposal of HK$18,430,000 was recorded. On the other hand, it also recorded a loss from change in fair value of HK$372,659,000 during 2015 (2014: loss of HK$403,904,000).

The newly acquired investment property under development located in Foshan City recorded a gain from change in fair value of HK$206,182,000 during 2015 (2014: Nil).

Moreover, the Group also recorded a gain from change in fair value of HK$57,265,000 on contingent consideration during 2015 (2014: loss of HK$115,353,000).

For the year under review, cost of sales included cost of goods sold of the newly operated supermarket amounting to approximately HK$8,932,000 (2014: Nil).

Administrative expenses increased by HK$27,626,000 or 38% to HK$100,827,000, mainly due to the administrative expenses incurred by the newly subsidiaries acquired during the year and the increase in advertising and staff costs of the newly operated supermarket.

The increase in finance cost of HK$24,289,000 as compared to 2014 was mainly due to the interest expenses incurred on the promissory notes issued during 2015 amounting to HK$26,574,000.

Liquidity, financial resources, charge on assets and gearing

As at 31 December 2015, the Group's current assets and current liabilities were HK$1,139,736,000 and HK$659,132,000 respectively. The total secured bank loans amounted to HK$1,136,450,000.

As at 31 December 2015, main charges on assets of the Group included bank balances of HK$23,613,000, investment properties with fair value of HK$1,750,000,000 and leasehold land and buildings with carrying amount of HK$27,450,000.

The Group's gearing ratio as at 31 December 2015 was 66%, which is calculated on the Group's total liabilities divided by its total assets.

PROSPECTS AND OUTLOOK

In order to capture opportunities arising from the booming development in the capital markets in China, Ping An Securities is in the process of setting up a joint venture in mainland China (the "China Joint Venture") under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). An application to establish the China Joint Venture is being compiled for submission to the China authorities. The establishment of the China Joint Venture, if it is approved, would represent the Group's presence in China's securities sector.

As the securities business is capital intensive, the Company intends to inject more funds into Ping An Securities. More fundraising exercises will be planned where appropriate, and our target is to tap around HK$800 million to HK$1,500 million from the market in the short- to medium-term. A larger fund pool will enable Ping An Securities to achieve better performance in its capital market operations, and in turn to improve the return to the Company and its shareholders as a whole.

Construction works have already commenced in the Xiqiao Town project and it is expected that the investment property will start generating rental income for the Group about three years later. Improvement works have been carried out in Shenghui Plaza from time to time to maintain its attractiveness to the customers.

The Board believes that the existing principal activities of the Group blended with the newly acquired securities business will bring in smart returns to our shareholders in the longer run.

APPRECIATION

The Directors would like to express our sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as our shareholders, business partners, bankers and auditors for their support to the Group throughout the year.

Zhang Guodong
Executive Director

Hong Kong, 30 March 2016

CAPITAL COMMITMENTS

As at 31 December 2015, capital commitments contracted but not provided for were approximately HK$765 million.

CONTINGENT LIABILITIES

During the period from 1 January 2004 to 31 December 2006, certain units and shops of the investment properties located in Chongqing had been sold to independent third parties (the "Buyers") under sale and purchase Agreements (the "SP Agreements"). The leasing agency contracts and the mortgage contracts were signed together with SP Agreements among the Buyers, Chongqing Kings Mall Business Management Company Limited ("Kings Mall Management") and Chongqing Xin Jia Jun Construction and Decoration Engineering Limited ("Xin Jia Jun"). Pursuant to the terms of the leasing agency contracts, Xin Jia Jun would pay the Buyers an annual rental income equivalent to ten percent of the purchase price of the properties over twenty years.

Based on the legal advice from the legal adviser to the Group, the Directors considered that they have strong and valid ground of defence in relation to the probable litigations in respect of the Buyers without entering into cancellation agreements ("Problematic Properties") and the Directors considered that Kings Mall Management would not suffer material financial losses arising from such probable litigation and has the right to occupy and lease the Problematic Properties to other tenants to generate rental income.

On 27 February 2011, pursuant to a deed of indemnity being executed by Profit China Investments Development Limited ("Profit China") and Mr. Liang Wenguan ("Mr. Liang") in favour of the Group at the date of acquisition completion, Profit China and Mr. Liang will indemnify the Group against all costs that the Group may suffer in relation to the investment properties acquired on the acquisition of Kings Mall Management and its subsidiary and holding companies (the "Acquired Group") and any disputes and litigation (whether commencing before or after the acquisition completion) against the Group arising or accruing in relation to the operation of the Acquired Group on or before the date of acquisition completion (the "Indemnified Liabilities").

In addition, on 19 May 2011, Zhu Hai Port Plaza Development Company Limited entered into an undertaking to pay the Indemnified Liabilities to the extent that such losses, liabilities and expenses have not been settled by Mr. Liang pursuant to his obligations under the indemnity agreement executed by him in favour of Kings Mall Management that Kings Mall Management may suffer.

In view of the above, the Directors consider that the probable litigations, if any, would not have any significant financial impacts on the financial positions of the Company.

FOREIGN EXCHANGE RISK

The Group's operations are principally in the PRC and Hong Kong and all assets and liabilities were denominated either in Renminbi or Hong Kong dollars. The Directors considers that the Group does not have any material exposure to fluctuations in exchange. Therefore, no hedging measures have been taken at present.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had a total of approximately 200 employees (2014: approximately 200 employees), who were remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training was provided to its staff from time to time.

USE OF PROCEEDS FROM FINANCING ACTIVITIES DURING THE YEAR UNDER REVIEW

Date of announcement	Fund raising activity	Net proceeds raised	Intended use of proceeds	Actual use of proceeds as at 31 December 2015
18 August 2015	Placing of shares and convertible bonds under general mandate	The net proceeds should be approximately HK$443.5 million but only approximately HK$342.4 million has been raised	Approximately HK$280 million for the development of Xiqiao project; approximately HK$64 million for the development of e-commerce and business in the Chongqing mall; approximately HK$19.5 million as general working capital of the Group; and approximately HK$80 million for the daily operations of Ping An Securities Limited	Approximately HK$280 million for the development of Xiqiao project, approximately HK$43.4 million for the development of e-commerce and business in the Chongqing mall, and approximately HK$19 million as general working capital of the Group
30 October 2015	Placing of convertible bonds under general mandate	HK$100.1 million	Approximately HK$80 million for daily operations of Ping An Securities Limited and the remaining balance as general working capital of the Group	As intended

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhang Guodong, aged 39, has been an executive Director since 1 March 2009. Mr. Zhang holds a Master's degree in Accountancy (MPAcc) from The Chinese University of Hong Kong and he is a certified accountant in the PRC. Mr. Zhang had worked as a project manager respectively in Beijing and Zhuhai BDO Certified Public Accountants, as well as a department manager in BDO Shenzhen Dahua Tiancheng Certified Public Accountants, and was mainly responsible for financial audit and advisory as well as tax planning work relating to companies listed in the PRC and overseas. He was then appointed as the financial controller of a few companies in the PRC respectively. Mr. Zhang is well versed in the PRC and international accounting standards, rules and regulations and has profound knowledge in finance.

Mrs. Nijssen Victoria (formerly known as Ms. Liang Huixin), aged 30, was appointed as non-executive Director on 11 August 2009 and has been re-designated as an executive Director since 8 August 2013. Mrs. Nijssen holds a Bachelor of Science degree in economics and political science from the University of Oregon, the United States. She had served in the banking sector in Singapore before. Mrs. Nijssen is the daughter of Mr. Liang Wenguan, a substantial shareholder of the Company.

Mr. Cheung Kam Fai, aged 44, has been an executive Director since 23 January 2016. Mr. Cheung was the managing director of a finance company's China subsidiary before this appointment, responsible for promoting the company's business in China. He has over 15 years of experience in the securities sector and has extensive social networks in the field. Mr. Cheung had not held any directorship in other public companies, of which the securities are listed on any securities market in Hong Kong or overseas in the last three years. He has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Cheung does not hold any other position in the Company or any of its subsidiaries.

NON-EXECUTIVE DIRECTOR

Mr. William Keith Jacobsen, aged 49, has been an executive Director since 12 August 2015. Mr. Jacobsen holds a Bachelor of Laws degree from the University of Hong Kong and a Master of Business Administration degree from the University of British Columbia in Canada. He has more than 21 years of experience in corporate finance and business development.

Mr. Jacobsen is the managing director of a licensed corporation advising on corporate finance matters. Mr. Jacobsen is an executive director of Auto Italia Holdings Limited (stock code: 720), a non-executive director of Huge China Holdings Limited (stock code: 428) as well as an independent non-executive director of abc Multiactive Limited (stock code: 8131), and Sustainable Forest Holdings Limited (stock code: 723). Previously he was an independent non-executive director of King Stone Energy Group Limited (stock code: 663) (from September 2008 to September 2011), Hycomm Wireless Limited (stock code: 499) (from June 2008 to September 2014), Perception Digital Holdings Limited (stock code: 1822) (from January 2013 to August 2014) and China Financial Leasing Group Limited (stock code: 2312) (from February 2013 to April 2015).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Dong Ansheng, aged 64, has been an independent non-executive Director since 6 January 2006. Dr. Dong holds a Bachelor of Laws degree from the Political and Law Sciences School of Chinese Northwestern College (西北政法學院); and Master and Doctoral degrees in laws from the Law School of the Renmin University, China (中國人民大學). Dr. Dong is well versed in various areas of law and has been a lecturer in mainland China, Hong Kong, Taiwan and Finland as well as a China legal consultant to a number of companies in their listing exercise in mainland China and Hong Kong.

Dr. Dong is serving as an independent non-executive director of Shandong Tongyu Heavy Industry Company, Limited (Stock code: 300185, Shenzhen Stock Exchange) and Beijing Wangfujing Department Store (Group) Limited (Stock code: 600859, Shanghai Stock Exchange). Dr. Dong had served as an independent non-executive director of BOE Technology Group Company, Limited (Stock code: 000725, Shenzhen Stock Exchange), Sichuan Western Resources Company, Limited (Stock code: 600139, Shanghai Stock Exchange), Beijing Capital International Airport Corporation Limited (Stock code: 694, SEHK) and Zhongjin Gold Company, Limited (Stock code: 600489, Shanghai Stock Exchange).

Mr. Wong Yee Shuen, Wilson, aged 49, has been appointed as an independent non-executive Director since 17 November 2015, Mr. Wong holds a master of commerce degree, specializing in banking and finance from the University of New South Wales. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and member of Australia CPA and Australian Institute of Banking and Finance. With more than 20 years of experience in PricewaterhouseCoopers and Ernst and Young, Mr. Wong specializes in the area of auditing banks and listed companies.

Mr. Wong is serving as an independent non-executive director of China Pipe Group Limited (stock code: 380), a company listed on the Main Board of the Stock Exchange) and he is the chief financial officer of China Animation Characters Company Limited (Stock code: 1566, a company listed on the Main Board of Stock Exchange). Mr. Wong served as an independent non-executive director of PanAsialum Holdings Company Limited (Stock code: 2078, a company listed on the Main Board of Stock Exchange) from January 2013 to July 2014.

Mr. Tsang Wah Kwong, aged 63, has been an independent non-executive Director since 16 February 2016. Mr. Tsang holds a bachelor degree in business administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants.

Mr. Tsang was a former partner of PricewaterhouseCoopers in Hong Kong and China, where he worked from July 1978 to June 2011, and has over 30 years of experience in auditing and providing support for initial public offerings and acquisition transactions. Mr. Tsang is currently an independent non-executive director of a number of listed companies, namely Agria Corporation (a company listed on the New York Stock Exchange), China Merchants China Direct Investments Limited (SEHK Stock code: 133), Sihuan Pharmaceutical Holdings Group Limited (SEHK Stock code: 460), TK Group (Holdings) Limited (SEHK Stock code: 2283), and China Animation Characters Company Limited (SEHK Stock code: 1566). Mr. Tsang is also a director of PGG Wrightson Limited, a company listed on the New Zealand Stock Exchange. Mr. Tsang was an independent non-executive director of PanAsialum Holdings Company Limited (SEHK Stock code: 2078) from January 2013 to January 2016.

The Company is committed to maintaining the highest standards of corporate governance that properly protect and promote the interests of all shareholders at all times. The Board believes that good corporate governance practices are the cornerstones for a successful business.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Board regularly reviews the Group's corporate governance guidelines and practices. During the year, the Company has applied the principles and complied with all the relevant code provisions prescribed in the Corporate Governance Code ("Code Provisions") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") except the deviation of the following Code Provisions:–

(1) Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same person. The Company currently has no chairman and CEO. Decisions of the Company are made collectively by the executive Directors. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

(2) Under Code Provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. None of the non-executive Director and the independent non-executive Directors are appointed for a specific term but all of them would be subject to retirement by rotation in accordance with the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all directors regarding any non-compliance with the Model Code during the year and they all confirmed that they have fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances. The senior management was delegated the authority and responsibilities by the Board of the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the company secretary, if and when required, with a view ensuring that the Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors to seek independent professional advice for them to discharge their duties and responsibilities, where appropriate at the Company's expenses.

During the year, the Board composition has been as set out below.

Executive Directors

Mr. Zhang Guodong
Mrs. Nijssen Victoria

Non-executive Directors

Mr. Marco Theodorus Nijssen	*(Resigned on 12 August 2015)*
Mr. Jacobsen William Keith	*(Appointed on 12 August 2015)*

Independent Non-executive Directors

Dr. Dong Ansheng	
Mr. Hung Hing Man	*(Resigned on 17 November 2015)*
Mr. Hong Sze Lung	*(Resigned on 17 November 2015)*
Mr. Wong Yee Shuen, Wilson	*(Appointed on 17 November 2015)*

Mrs. Nijssen is the spouse of Mr. Marco Theodorus Nijssen, a former non-executive Director and the daughter of Mr. Liang Wenguan, a substantial Shareholder. Mr. Nijssen is the spouse of Mrs. Nijssen Victoria, an executive Director, and the son in law of Mr. Liang. The other Board members have no financial, business, family or other material/relevant relationships with each other.

The biographical details of the Directors are set out in the section "Biographical Details of Directors" of this Annual Report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors, representing more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

The functions of independent non-executive Directors are primarily to bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts at board meetings.

CONFIRMATION OF INDEPENDENCE

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate liability insurance to indemnify its Directors and officers in respect of legal actions against the Directors and officers. Throughout the Year, no claim had been made against the Directors and the officers of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointment of any new Director is considered upon recommendation by the Nomination Committee and approved by the Board by taking into account criteria such as expertise, experience, integrity and commitment as well as the diversity policy.

In accordance with the Bye-laws of the Company ("Bye-laws"), all Directors are subject to retirement by rotation and re-election at annual general meetings ("AGMs") of the Company. New Directors appointed by the Board during the year are required to retire and submit themselves for re-election at the first general meeting immediately following their appointments. Further, at each AGM, one-third of the Directors, or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third are required to retire from office.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company provides regular updates on the business development of the Group. The Directors are regularly provided information on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. All Directors have participated in appropriate continuous professional development and refreshed their knowledge and skills during the year for ensuring that their contribution to the Board remains informed and relevant and be kept abreast of the ever changing business environment. Such professional development was undergone either by way of attending briefings, conference, courses, forum and seminars, or through teaching, self-reading and participating in business-related researches which are relevant to the business of the Group or directors' duties.

BOARD AND COMMITTEE MEETINGS HELD AND ATTENDANCE

The Code Provisions require regular meetings of the Board be held at least four times a year at approximately quarterly intervals. Such Board meetings involve the active participation, either in person or by telephone conference.

The numbers of meetings of the Board and various committees attended by each Director during the year under review are set out in the following table. Figure in brackets indicates maximum number of meetings in the period in which the individual could attend as a member of the Board and/or various committees, as the case may be.

		Meetings Attended/(Held)			
	Note	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Executive Directors					
Mr. Zhang Guodong		12/(12)	N/A	N/A	N/A
Mrs. Nijssen Victoria		12/(12)	N/A	3/(3)	4/(4)
Non-executive Directors					
Mr. Marco Theodorus Nijssen	1	5/(6)	N/A	N/A	N/A
Mr. William Keith Jacobsen	2	5/(6)	N/A	N/A	N/A
Independent Non-executive Directors					
Dr. Dong Ansheng		12/(12)	4/(4)	3/(3)	4/(4)
Mr. Hung Hing Man	3	11/(11)	4/(4)	3/(3)	2/(2)
Mr. Hong Sze Lung	4	11/(11)	4/(4)	1/(1)	1/(1)
Mr. Wong Yee Shuen, Wilson	5	1/(1)	0/(0)	0/(0)	0/(0)

Notes:

1. Resigned on 12 August 2015

2. Appointed on 12 August 2015

3. Resigned as independent non-executive director, Chairman of audit committee, member of nomination committee and remuneration committee on 17 November 2015

4. Resigned as independent non-executive director, member of audit committee, nomination committee and remuneration committee on 17 November 2015

5. Appointed on 17 November 2015

AUDIT COMMITTEE

The Audit Committee comprises all three independent non-executive Directors and is chaired by Mr. Hung Hing Man (until 17 November 2015), who has appropriate professional qualifications and experience as required by the Listing Rules. The Audit Committee's terms of reference are in conformity with the requirements of the Code Provisions, and are published on the websites of the Company and the SEHK. The primary duties of the Audit Committee include the following:

(a) monitor and ensure a proper relationship with the Company's external auditor;

(b) review of the Group's interim and annual reports and compliance with accounting standards, the Listing Rules, and legal requirements before submission to the Board; and

(c) oversight of the Company's financial reporting process and internal control system.

The Audit Committee held four meetings during the year, to review the Group's interim and final financial statements, to meet and discuss with the external auditor about audit findings, and discuss with the management about appointment of the external auditor.

The Audit Committee has reviewed the audited financial statements of the Group for the year and recommended to the Board for its approval.

With effect from 1 January 2016, the Audit Committee has extended its functions to oversee the Group's risk management system.

REMUNERATION COMMITTEE

The Remuneration Committee comprises all three independent non-executive Directors and Mrs. Nijssen Victoria, an executive Director and is chaired by Dr. Dong Ansheng.

The primary duties of the Remuneration Committee are making recommendations to the Board on the Group's policy and structure for the Directors and senior management remuneration, making recommendations on the remuneration packages of individual Director and ensuring that no Director or any of his associates is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee are in conformity with the requirements of the Code Provisions, and are published on the websites of the Company and the SEHK.

The Remuneration Committee held four meetings during the year to review the remuneration package of the Directors and senior management.

NOMINATION COMMITTEE

The Nomination Committee comprises all three independent non-executive Directors and Mrs. Nijssen Victoria, an executive Director and is chaired by Dr. Dong Ansheng.

The primary duties of the Nomination Committee are to review the size, structure, composition and diversity of the Board, identify suitably qualified individuals for appointment to the Board, assess the independence of independent non-executive Directors and make recommendations to the Board on the election or re-election of the Directors and succession planning for the Directors. The terms of reference of the Nomination Committee are in conformity with the requirements of the Code Provisions, and are published on the websites of the Company and the SEHK.

The Nomination Committee held three meetings during the year to nominate candidates to the Board and review the composition of the Board and the suitability of the Directors proposed for re-election at the AGM.

COMPANY SECRETARY

Mr. Chan Kwan Pak is the Company Secretary of the Company. He is an external service provider and was appointed by the Board. Mr. Chan supports the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. He also advises the Board on corporate governance matters and facilitates induction and professional development of the Directors. Mr. Chan reports directly to the Board. All the Directors have access to the advice and services of the Company Secretary at any time in relation to their duties and operation of the Board. The Company Secretary participated in no less than 15 hours of relevant professional training during the year.

INTERNAL CONTROL

The Board acknowledges that it has an overall responsibility for maintaining an adequate and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, to safeguard the Group's assets against unauthorized use and disposition, to ensure compliance with relevant legislation and regulations, and to protect the interests of shareholders of the Company. During the year, the Board has reviewed the effectiveness of the Group's system of internal controls.

The Group's external auditor, Cheng & Cheng Limited, contributes an independent perspective on relevant internal controls arising from the audit and report findings to the Audit Committee.

AUDITOR'S REMUNERATION

Total auditor's remuneration in relation to statutory audit work of the Group amounted to HK$1,000,000 (2014: HK$950,000). No fee was incurred for non-audit services provided by the auditor for the Group during the year (2014: Nil).

The responsibilities of the auditor with respect to financial reporting are set out in the section of "Independent Auditor's Report" on page 29.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgments and estimates made are prudent and reasonable.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board has established a shareholders' communication policy to maintain an on-going dialogue with its shareholders and investors in a timely, open and transparent manner. The Board reviews the policy on a regular basis to ensure effective communication between the Company and its shareholders and investors.

The Board communicates with its shareholders and investors through various channels. The Board members meet and communicate with shareholders and investors at AGMs and other general meetings. Corporate communications (such as interim and annual reports, notices, circulars and announcements) are sent to shareholders in a timely manner and are available on the websites of the Company and the SEHK.

SHAREHOLDERS' RIGHTS

Procedures for Nomination of a Director

A notice in writing of the intention to propose a person for election as a director of the Company and a notice in writing by that person of his willingness to be elected together with his/her particulars (such as qualifications and experience) and information as required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on the SEHK shall be lodged at the Company's head office and principal place of business (Suite 3005, 30/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong) or at its branch share registrar in Hong Kong, Tricor Tengis Limited (Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong). The period for lodgment of the notices required will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Shareholders to convene a Special General Meeting

Special general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Secretary of the Company (Suite 3005, 30/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong) for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Such meeting shall be held within 3 months after the deposit of such requisition.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries and joint venture are set out in detail in notes 46 and 23, respectively, to the financial statements. After completion of acquisition of Ping An Securities Limited, the Group's principal activities have been extended from property development and property leasing, provision of financial services and trading of goods to the financial sector.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2015 is set out in note 8 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the financial statements on pages 31 to 118.

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2015 (2014: Nil).

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Executive Director's Statement on pages 3 to 5 of this Annual Report. Description of the financial risk management objectives and policies of the Group can be found in Note 7 to the financial statements. An analysis of the Group's performance during the year using financial key performance indicators are provided in the Executive Director's Statement on pages 3 to 5 of this Annual Report. The Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report are discussed below.

Environmental Policy and Performance

The Group commits to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of office furniture as far as possible, encourage use of recycled paper for printing and copying, double-sided printing and copying, setting up recycling bins, reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances.

The Group will review its environmental practices from time to time and consider implementing further eco-friendly measures, sustainability targets and practices in the operation of the Group's businesses to embrace the principles of reduce, recycle and reuse, and further minimize our already low impact on the natural environment.

Compliance with Relevant Laws and Regulations

For the year ended 31 December 2015, compliance procedures were in place to ensure adherence to applicable laws, rules and regulations, in particular those have significant impact on the Group. The Company encourages its employees to understand, comply with and keep themselves abreast of the laws, rules and regulations applicable to their positions and the operation of the businesses of the Group. The Company has employed suitable personnel and engaged professional advisers as and when appropriate to provide legal advice on the applicability, existence or interpretation of any laws, rules and regulations.

Relationship with Stakeholders

The Group is committed to create good internal and external corporate relationships, and build a harmonious enterprise to take its responsibilities for its various stakeholders, such as customers, employees, shareholders and community. The Board recognizes the importance of fostering loyalty and mutual trust with the Group's employees, customers, suppliers and business partners as this creates immense long-term benefits for the Group. To achieve the above purpose, the Group strives to promote constant and effective communications. The Board considers that the Group has overall maintained good relationship with employees, customers, suppliers and business partners for the operation of its businesses.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2015, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 119. The summary is not part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 41 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group are set out in note 48 to the financial statements and on page 35 respectively.

DISTRIBUTABLE RESERVES

At 31 December 2015 the Company did not have any reserves available for distribution to equity shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for more than 30% of the total sales for the year, and the purchases attributable of the five largest suppliers accounted for less than 30% of the Group's total purchases. Information about major customers are set out in note 8 to the financial statements.

DIRECTORS

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

Executive Directors

Mr. Zhang Guodong	
Mrs. Nijssen Victoria	
Mr. Cheung Kam Fai	*(Appointed on 23 January 2016)*

Non-executive Directors

Mr. Marco Theodorus Nijssen	*(Resigned on 12 August 2015)*
Mr. William Keith Jacobsen	*(Appointed on 12 August 2015)*

Independent Non-executive Directors

Dr. Dong Ansheng	
Mr. Hung Hing Man	*(Resigned on 17 November 2015)*
Mr. Hong Sze Lung	*(Resigned on 17 November 2015)*
Mr. Wong Yee Shuen, Wilson	*(Appointed on 17 November 2015)*
Mr. Tsang Wah Kwong	*(Appointed on 16 February 2016)*

At the forthcoming annual general meeting, Mr. Cheung Kam Fai, Mr. William Keith Jacobsen, Mr. Wong Yee Shuen, Wilson and Mr. Tsang Wah Kwong shall retire in accordance with Bye-law 100 of the bye-laws of the Company, while Mrs. Nijssen Victoria shall retire by rotation in accordance with Bye-law 109(A). All of them being eligible, will offer themselves for re-election thereat. Re-election of Dr. Dong Ansheng as an independent non-executive Director shall be subject to shareholders' approval in accordance with the code provision of the Listing Rules since his term of service has been over nine years.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, the changes in Directors' information during the year under review and up to the date of this annual report are as follows:

(1) Ms. Liang Huixin has changed her name to Mrs. Nijssen Victoria with effect from 14 March 2016.

(2) The director's remuneration of Mr. Zhang Guodong has been increased from HK$75,000 per month to HK$85,000 per month with effect from 1 March 2015.

(3) The director's remuneration of Mrs. Nijssen Victoria has been increased from HK$65,000 per month to HK$75,000 per month with effect from 1 March 2015.

(4) The director's remuneration each of Dr. Dong Ansheng, Mr. Hung Hing Man and Mr. Hong Sze Lung has been increased from HK$170,000 per annum to HK$190,000 per annum with effect from 1 March 2015.

DIRECTORS' SERVICE AGREEMENTS

Mr. Zhang Guodong, Mrs. Nijssen Victoria and Mr. Cheung Kam Fai have each entered into a service agreement with the Company for an initial term of three years commencing on 1 March 2015, 8 August 2013 and 23 January 2016 respectively and the agreements shall continue thereafter unless terminated in accordance with the terms of the service agreements.

None of the non-executive Director and the independent non-executive Directors have entered into a service agreement with the Company. They have no specific term of office but shall be subject to retirement by rotation and be eligible for re-election at the AGMs of the Company pursuant to the Bye-laws.

No Director proposed for re-election at the forthcoming AGM has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year or at the end of the year has been/was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There has been no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed below, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31 December 2015, none of the Directors were interested in any business apart from the Group's businesses which competed or was likely to compete, either directly or indirectly, with business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2015, none of the Directors and chief executives of the Company or their associates had any interest or short position in the Shares, underlying shares and 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 SEHK pursuant to the Model Code.

Long position in shares and underlying shares

Name	Nature of interests	Description of securities	Number of underlying shares	Approximate % of interests
Mr. Wong Yee Shuen, Wilson	Beneficial owner	Convertible Bonds	6,134,969 (L)	0.033%

(L) denotes long position

INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the interests of substantial shareholders (other than the Directors or chief executives) in the Shares or the underlying shares of the Company which were required to be notified to the Company pursuant to Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

(a) Interests in Shares:

Name	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Liang Wenguan ("Mr. Liang")	Personal	2,958,949,292 (L)	15.94%
	Interest of controlled corporation *(Note 1)*	1,020,549,171 (L)	5.50%
	Total	3,979,498,463 (L)	21.44%
Mr. Cheung Kam Fai ("Mr. Cheung")	Personal	2,432,000,000 (L)	13.10%
Mr. Yang Zhenhao	Personal	1,029,720,000 (L)	5.55%

Note 1: The Shares were held by Madex International Company Limited, a company which is 100% owned by Mr. Liang.

(b) Interests in underlying shares:

Name	Nature of interests	Description of securities	Number of underlying shares	Approximate % of interests
Mr. Liang	Beneficial owner	Convertible Note *(Note 2)*	1,174,609,375 (L)	6.33%
Mr. Cheung	Beneficial owner	Convertible Note	925,000,000 (L)	4.98%

Note 2: Pursuant to a very substantial acquisition and connected transaction as detailed in a circular of the Company dated 25 May 2011, the Company would, subject to the fulfillment of certain conditions, grant three convertible notes ("Convertible Notes") to Profit China Investment Development Limited ("Profit China"), which is 100% held by Ms. Tam Ping Foon Calana in trust for Mr. Liang. The First Convertible Note was subsequently granted. On 12 March 2014, the Company, Profit China and Mr. Liang mutually agreed to fully discharge and release all or any rights, obligations and responsibilities under the S&P Agreement relating to issue the Third Convertible Note. As at 30 June 2014, the outstanding principal amount of the Second Convertible Note that may, upon fulfilment of certain conditions, be granted to Profit China was HK$150,350,000 (representing 1,174,609,375 conversion shares).

Save as disclosed above, as at 31 December 2015, there was no other person (other than the Directors or chief executives of the Company) who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

SHARE OPTION SCHEME

At the AGM held on 23 June 2011, the terms of the share option scheme (the "Scheme") was adopted by providing incentive to eligible participants to work better for the interests of the Group, under which the Board may, at its discretion, offer to grant an option to any full-time or part-time employee and directors of the Company or any of its subsidiaries and service providers of the Group (collectively the "Grantees").

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue on the date of adoption of the Scheme (as refreshed on 29 May 2014), being 1,184,264,739 shares. The total number of shares which may fall to be issued upon exercise of the share options granted under the Scheme to each Grantee in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors. If the Board proposed to grant options to a substantial shareholder or any independent non-executive Director or their respective associates which will result in the number of shares to be issued upon exercise of the options granted and to be granted to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the shares in issue on the date of grant and having an aggregate value in excess of HK$5 million, based on the closing price of the shares at the date of each grant, such further grant of options will be subjected to the shareholders' approval in general meeting.

The offer of a grant of share options may be accepted within 28 days from the offer date or within such other period of time as may be determined by the Board. Upon acceptance of the options, the Grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The subscription price of a share in respect of any option granted under the Scheme shall be priced as the Board in its absolute discretion shall determine, but must be at least the higher of (i) the closing price of the Company's shares as quoted on the SEHK on the date of grant; (ii) the average closing price of the Company's shares as quoted on the SEHK for the five consecutive business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The period during which an option may be exercise will be determined by the Board in its absolute discretion. An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The shares to be allotted upon the exercise of an option will not carry voting rights until the completion of the registration of the Grantee.

No share option under the Scheme were granted or exercised during the year nor remained outstanding as at 31 December 2015.

MAJOR ACQUISITIONS AND DISPOSALS DURING THE YEAR

Acquisition of Land in Foshan City

On 13 November 2014, Wealth Billows Limited (the "Purchaser"), a wholly owned subsidiary of the Company, entered into an acquisition agreement (the "Acquisition Agreement") with Mr. Liang Wenguan, a substantial Shareholder of the Company (the "Vendor"), as well as the registered and beneficial owner of the entire issued share capital of Full Boom Global Limited (the "Target Company"), pursuant to which the Purchaser has agreed to acquire the entire issued share capital of the Target Company, from the Vendor at a consideration of HK$535 million.

The Target Company holds a piece of land (the "Land"), which is located in the hub of Xiqiao Town, Nanhai District, Foshan City, Guangdong Province with a site area of 86,938 square metres. Strategically located in the hinterland of the Pearl River Delta, Xiqiao Town has high development potential. With reference to Foshan Statistical Bureau, the GDP for the year 2012 of Nanhai District was approximately RMB661.30 billion as compared to RMB298.39 billion for the year 2006. In terms of infrastructure, Guangfo Metro (廣佛地鐵) was the first metro system of Foshan City. With its inception in 2010, the metro connection between Foshan City and Guangzhou has improved the population mobility of two cities. Furthermore, according to the 12th five-year plan, the PRC government intends to develop Nanhai District into a hub of back office for financial services (金融後援服務基地), and would strive to promote the local tourism industry at the same time. In this regard, Nanhai District provides continued support to its Financial Hi-tech Zone (金融高新區); and Xiqiao Mountain has been categorized as a five A tourist attraction in 2013, the only tourist attraction being awarded with this rating within Guangdong Province.

The Company intends to develop on the Land a plaza consists of shops, offices and hotel, taking into account the lack of competitors and the absence of similar type of development model in the vicinity. Under the current development plan, the gross floor area of approximately 94,400 square metres, 92,000 square metres and 8,800 square metres will be allocated for shops, offices and hotel development respectively. The Company intends to hold the plaza for investment purpose and will, depending on the then market circumstances, lease out the plaza for rental income. This will provide the Company with additional rental income and would strengthen the Company's source of revenue in the long term.

Completion of the acquisition took place on 28 August 2015. Reference is made to the announcement dated 13 November 2014 and the circular dated 9 March 2015 of the Company.

Acquisition of Ping An Securities Limited

On 10 March 2015, the Company entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the entire issued share capital of Grand Ahead Finance Limited ("Grand Ahead") at a total consideration of HK$1,200,000,000. The Consideration shall be satisfied (i) as to HK$400,000,000 by way of issue of the Promissory Notes to the Vendor (or its nominee(s)) upon Completion; (ii) as to HK$700,000,000 by way of allotment and issue of the Consideration Shares at the Issue Price (being HK$0.20 per Consideration Share) to the Vendor (or its nominee(s)) upon Completion; and (iii) as to HK$100,000,000 by way of issue of the Convertible Note with the Conversion Price (being HK$0.20 per Conversion Share) to the Vendor (or its nominee(s)) upon Completion. Grand Ahead holds 100% of the share capital of Ping An Securities Limited ("Ping An Securities").

Ping An Securities is one of the well-established securities brokerage and financial advisory houses in Hong Kong providing a wide range of financial services which include, the provision of securities brokerage, securities underwriting and placements and financial advisory services. In addition, Ping An Securities is part of a corporate finance group that provides financial advisory services to other overseas customers and with offices located in Beijing, Macau, Milan and Vancouver. The Board believes that the Acquisition will enable the Group to make a meaningful step in its strategic direction towards diversification of businesses and also allow the Group to leverage on the past experience of Ping An Securities and its affiliates to explore the feasibilities of expanding the financial advisory services to other overseas markets in the future.

As the Stock Exchange has been ranked the world's top five in fundraising from initial public offerings every year since 2002, and Ping An Securities generates most of its revenues from its equity capital market operation, especially in the marketing, distribution and allocation of news shares in initial public offerings on the Stock Exchange, the Board believes that the Acquisition can broaden the income sources of the Group, and that the resulted diversification of the Group's business portfolio will also enhance the Group's resilience to fluctuations in the business environment.

Completion of the acquisition took place on 25 September 2015. Reference is made to the announcement dated 10 March 2015 and the circular dated 29 May 2015 of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PERMITTED INDEMNITY

Pursuant to the Bye-laws, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the Year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased a total of 17,760,000 shares of the Company on the Stock Exchange at an aggregate consideration (before expenses) of HK$2,722,920. All the repurchased shares were subsequently cancelled. The repurchases were effected by the Directors for the enhancement of shareholders' value. Details of the repurchases are as follows:

Month, Year	Number of shares repurchased	Purchase price Highest	Purchase price Lowest	Aggregate consideration paid (before expenses)
		HK$	HK$	HK$
July 2015	17,760,000	0.157	0.137	2,722,920

During the year, all the 17,760,000 shares purchased were cancelled on delivery of the share certificates.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 49 to the financial statements.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS/ RELATED PARTY TRANSACTIONS

Tenancy Agreement

The Group had entered into a tenancy agreement (as the tenant) with a connected persons, which constituted continuing connected transactions of the Group under the Listing Rules:

Transaction *(Note1)*	**Name of counterparty**	**Term of agreement**	**Address of premises**	**Amount for the Year**
Tenancy made on 11 March 2014 (monthly rental: HK$50,000)	Ms. Mak Shunxing as landlord *(Note2)*	1 January 2014 to 31 December 2015	Star Sky Cullinan, No. 1 Austin Road West, Tsimshatsui, Kowloon, Hong Kong	HK$600,000

Notes:

1. Monthly rental was included management fees, government rent and rates.

2. Family member of Mrs. Nijssen Victoria, an executive director of the Company and Mr. Liang Wenguan, substantial shareholder of the Company.

Details of the transaction are provided in note 42 to the financial statements.

The aforesaid continuing connected transactions have been reviewed by Independent Non-executive Directors of the Company. The Independent Non-executive Directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Board engaged the independent auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor of the Company has issued its unqualified letter containing its following findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 112 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules.

Nothing has come to the independent auditor's attention that the disclosed continuing connected transactions:

(i) have not received the approval of the Company's Board of Directors;

(ii) are not in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Group;

(iii) have not been entered into in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the annual cap as set by the Company.

A copy of the auditor's report has been provided by the Company to the Stock Exchange.

The Company has confirmed that it has complied with the disclosure requirements in respect of the aforesaid continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

CONTINGENT LIABILITIES

Details of the contingent liabilities are provided in note 47 to the financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date hereof, there is sufficient public float of not less than 25% of the Company's issued shares as required by the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed and approved the Group's annual results for the year ended 31 December 2015 in conjunction with the Company's external auditor prior to their approval by the Board. Information on the work of the Audit Committee and its composition are set out in the Corporate Governance Report on pages 10 to 16.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2015 have been audited by Cheng & Cheng Limited ("Cheng & Cheng"). Cheng & Cheng was appointed on 2 June 2015 as the independent auditor of the Company to fill the casual vacancy following the resignation of Pan-China (H.K.) CPA Limited on 2 June 2015. Save for the above, there were no other changes in the Company's auditor in the past three years. Cheng & Cheng will retire at the conclusion of the forthcoming AGM and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution for re-appointment of Cheng & Cheng as auditor of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Zhang Guodong
Executive Director

Hong Kong, 30 March 2016

TO THE MEMBERS OF PING AN SECURITIES GROUP (HOLDINGS) LIMITED
(Formerly known as Madex International (Holdings) Limited)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Ping An Securities Group (Holdings) Limited (formerly known as Madex International (Holdings) Limited) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 31 to 118, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

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 the Group's 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.

OTHER MATTER

The consolidated financial statements of the Group and of the Company for the year ended 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 8 April 2015.

CHENG & CHENG LIMITED
Certified Public Accountants
Yeung Chun Yue, David
Practising Certificate Number: P05595

10/F, Allied Kajima Building,
138 Gloucester Road, Wanchai
Hong Kong

30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
Revenue	8 & 9	**50,465**	33,107
Cost of sales		**(20,199)**	(3,625)
Gross profit		**30,266**	29,482
Other revenue	9	**9,918**	6,959
Distribution cost		**(6,730)**	–
Administrative expenses		**(100,827)**	(73,201)
Finance costs	10	**(118,487)**	(94,198)
Gains on disposal of investment property		**18,430**	–
Gain from changes in fair value of investment property under development	18	**206,182**	–
Loss from changes in fair value of investment property	18	**(372,659)**	(403,904)
Fair value change on financial assets at fair value through profit or loss		**(10)**	–
Fair value change on derivative financial assets	33	**(18)**	(1,459)
Fair value change on derivative financial liabilities	33	**4,409**	(4,545)
Fair value change on contingent consideration	36	**57,265**	(115,353)
Losses on disposal of property, plant and equipment		**(122)**	–
Impairment losses on inventories		**(1,144)**	–
Share of result of a joint venture	23	**(2)**	(5)
Losses on disposal of subsidiaries, net	40	**–**	(18,372)
Loss before tax		**(273,529)**	(674,596)
Income tax credit	11	**41,522**	100,976
Loss for the year	12	**(232,007)**	(573,620)
Loss for the year attributable to:			
– Owners of the Company		**(232,007)**	(573,620)
– Non-controlling interests		**–**	–
		(232,007)	(573,620)
Loss per share	16		
– Basic and diluted (HK cents)		**(1.57 cents)**	(4.77 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000 (Restated)
Loss for the year		**(232,007)**	(573,620)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of financial statements of foreign operations		**(76,737)**	(23,425)
– Reclassification from equity to profit or loss on disposal of subsidiaries	40(a)	**–**	(31,968)
Other comprehensive expense for the year		**(76,737)**	(55,393)
Total comprehensive expense for the year		**(308,744)**	(629,013)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(308,744)**	(629,013)
– Non-controlling interests		**–**	–
		(308,744)	(629,013)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	**As at 31 December 2015 HK$'000**	As at 31 December 2014 HK$'000 (Restated)	As at 1 January 2014 HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	17	**35,663**	31,825	32,736
Investment properties	18	**2,389,000**	2,090,000	2,974,424
Goodwill	19	**725,330**	–	–
Intangible assets	21	**391,194**	35,342	39,842
Available-for-sale investments	22	**–**	–	–
Interest in a joint venture	23	**47,090**	47,092	47,097
Other deposits	24	**273**	–	–
		3,588,550	2,204,259	3,094,099
CURRENT ASSETS				
Inventories	25	**7,053**	–	–
Loan receivables	26	**354,191**	–	–
Financial assets at fair value through profit or loss	27	**102**	–	–
Trade and other receivables	28	**396,920**	420,940	73,108
Derivative financial assets	33	**–**	12,590	5,839
Pledged bank balances	29	**23,613**	157,731	140
Bank balances and cash – trust accounts	29	**144,643**	–	–
Bank balances and cash – general accounts	29	**213,214**	149,576	41,283
		1,139,736	740,837	120,370
CURRENT LIABILITIES				
Trade and other payables	30	**378,549**	385,418	382,505
Borrowings – current portion	31	**16,155**	264,548	123,046
Tax liabilities		**12,668**	210	210
Amount due to a related party	32(a)	**1,533**	1,533	2,564
Amount due to a shareholder	32(b)	**75,711**	88,536	18,548
Amount due to a joint venture	32(c)	**49,475**	49,476	49,503
Derivative financial liabilities	33	**125,041**	35,780	18,039
		659,132	825,501	594,415
NET CURRENT ASSET (LIABILITIES)		**480,604**	(84,664)	(474,045)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,069,154**	2,119,595	2,620,054

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	**As at 31 December 2015 HK$'000**	As at 31 December 2014 HK$'000 (Restated)	As at 1 January 2014 HK$'000
CAPITAL AND RESERVES				
Share capital	41	**927,973**	661,253	592,132
Reserves		**691,308**	291,345	757,794
TOTAL EQUITY		**1,619,281**	952,598	1,349,926
NON-CURRENT LIABILITIES				
Borrowings – non-current portion	31	**1,196,670**	635,803	709,868
Deferred tax liabilities	34	**212,673**	204,264	379,204
Convertible notes	33	**201,859**	67,013	36,492
Promissory notes	35	**636,019**	–	–
Provision for contingent consideration	36	**202,652**	259,917	144,564
		2,449,873	1,166,997	1,270,128
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**4,069,154**	2,119,595	2,620,054

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

The consolidated financial statements on pages 31 to 118 were approved and authorised for issue by the board of directors on 30 March 2016 and are signed on its behalf by:

Zhang Guodong
Director

Nijssen Victoria
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Translation reserve** HK$'000	**Accumulated losses** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000 *(note below)*	**Total** HK$'000
At 1 January 2014	592,132	921,801	52	127,845	(291,904)	1,349,926	–	1,349,926
Loss for the year (As restated)	–	–	–	–	(573,620)	(573,620)	–	(573,620)
Other comprehensive expense for the year (As restated)	–	–	–	(55,393)	–	(55,393)	–	(55,393)
Total comprehensive expense for the year (As restated)	–	–	–	(55,393)	(573,620)	(629,013)	–	(629,013)
Conversion of convertible notes into shares *(note 33)*	69,121	162,564	–	–	–	231,685	–	231,685
At 31 December 2014 (As restated)	661,253	1,084,365	52	72,452	(865,524)	952,598	–	952,598
At 1 January 2015 (As previously reported)	661,253	1,084,365	52	113,351	(901,760)	957,261	–	957,261
Restatements *(note 5)*	–	–	–	(40,899)	36,236	(4,663)	–	(4,663)
At 1 January 2015 (As restated)	661,253	1,084,365	52	72,452	(865,524)	952,598	–	952,598
Loss for the year	–	–	–	–	(232,007)	(232,007)	–	(232,007)
Other comprehensive expense for the year	–	–	–	(76,737)	–	(76,737)	–	(76,737)
Total comprehensive expense for the year	–	–	–	(76,737)	(232,007)	(308,744)	–	(308,744)
Issue of shares	205,670	541,814	–	–	–	747,484	–	747,484
Share issuance costs	–	(500)	–	–	–	(500)	–	(500)
Repurchases of shares	(888)	(1,834)	–	–	–	(2,722)	–	(2,722)
Conversion of convertible notes into shares *(note 33)*	61,938	169,227	–	–	–	231,165	–	231,165
At 31 December 2015	927,973	1,793,072	52	(4,285)	(1,097,531)	1,619,281	–	1,619,281

Note: The amount is less than HK$1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000 (Restated)
Cash flows from operating activities		
Loss before tax	**(273,529)**	(674,596)
Adjustments for:		
Depreciation for property, plant and equipment	**2,390**	1,795
Amortisation of intangible assets	**8,027**	3,625
Losses on disposals of subsidiaries, net	**–**	18,372
Losses on disposal of property, plant and equipment	**122**	–
Gains on trading of listed securities	**(2,800)**	–
Gains on disposal of investment properties	**(18,430)**	–
Losses from changes in fair value of investment properties	**372,659**	403,904
Gains from changes in fair value of investment properties under development	**(206,182)**	–
Fair value change of financial assets at fair value through profit or loss	**10**	–
Fair value change on derivative financial assets	**18**	1,459
Fair value change on derivative financial liabilities	**(4,409)**	4,545
Fair value change on contingent consideration	**(57,265)**	115,353
Impairment losses on inventories	**1,144**	–
Finance costs	**118,487**	94,198
Interest income	**(6,799)**	(1,521)
Share of result of a joint venture	**2**	5
Operating cash flows before movements in working capital	**(66,555)**	(32,861)
Increase in inventories	**(8,197)**	–
Decrease in bank balances and cash - trust account	**67,239**	–
Decrease in trade and other receivables	**41,731**	7,473
(Decrease) increase in trade and other payables	**(239,486)**	109,000
Cash (used in) generated from operation	**(205,268)**	83,612
Interest paid	**(68,711)**	(81,368)
Net cash (used in) generated from operating activities	**(273,979)**	2,244

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
INVESTING ACTIVITIES			
Cash inflows from disposals of subsidiaries	40	**–**	100,498
Additions of investment properties		**(152,047)**	(10,249)
Interest received		**6,799**	1,521
Decrease (increase) in pledged bank balances		**134,118**	(157,587)
Purchase of property, plant and equipment		**(4,895)**	(1,299)
Loan receivables, advance to a third party		**(354,191)**	–
Purchase of financial assets at fair value through profit or loss		**(19,997)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**22,798**	–
Proceeds from disposal of property, plant and equipment		**336**	–
Proceeds from disposal of investment properties		**40,524**	–
Deposit paid for development of investment properties under development	28(h)	**(271,736)**	–
Deposit paid in respect of acquisition of Full Boom (as defined in note 28)	28(c)	**–**	(107,000)
Deposit paid in respect of acquisition of property, plant and equipment	28(d)	**–**	(19,009)
Deposit paid in respect of tendering of a property	28(e)	**–**	(37,406)
Repayment from (advance to) a third party		**154,243**	(192,408)
Net cash inflow on acquisition of subsidiaries		**17,950**	–
Net cash used in investing activities		**(426,098)**	(422,939)
FINANCING ACTIVITIES			
New borrowings raised		**1,188,903**	407,377
Repayments of borrowings		**(878,085)**	(204,969)
Repayment to a joint venture		**(1)**	(27)
Repayment to a related party		**–**	(1,031)
Net proceeds from the issuance of convertible bonds		**343,060**	254,362
(Repayment to) advance from a shareholder		**(12,825)**	70,630
Proceeds from issues of new shares		**99,984**	–
Repurchase of shares		**(2,722)**	–
Payment of shares issuance costs		**(500)**	–
Net cash generated from financing activities		**737,814**	526,342
Net increase in cash and cash equivalents		**37,737**	105,647
Cash and cash equivalents at 1 January		**149,576**	41,283
Effect of foreign exchange rate changes		**25,901**	2,646
Cash and cash equivalents at 31 December represented by bank balances and cash – general accounts		**213,214**	149,576

1. GENERAL

Ping An Securities Group (Holdings) Limited (formerly known as "Madex International (Holdings) Limited" (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The name of the Company was changed from Madex International (Holdings) Limited into Ping An Securities Group (Holdings) Limited pursuant to a special resolution passed at a special general meeting of the Company held on 14 January 2016 and took effect upon the approval of the Registrar of Companies of Bermuda granted on 25 January 2016.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the PRC whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries is HK$. The directors of the Company consider that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company. The principal activities of the principal subsidiaries are set out in note 46.

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

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

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

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

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]
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]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[1]
HKFRS 14	Regulatory deferred accounts[1]
Amendments to HKAS 27	Equity method in separate financial statement[1]

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

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

[3] No mandatory effective date is determined but in available for early adoption.

The directors of the Company do not anticipate that the application of the new and revised HKFRSs will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform to HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 622).

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

BASIS OF PREPARATION

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF PREPARATION *(Continued)*

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION *(Continued)*

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

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

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

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

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

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

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

BUSINESS COMBINATIONS

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BUSINESS COMBINATIONS *(Continued)*

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

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5, *Non-current assets held for sale and discontinued operations* are measured in accordance with that standard.

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

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

GOODWILL

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENTS IN A JOINT VENTURE

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

The results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5, Non-current assets held for sale and discontinued operations. Under the equity method, investments in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of joint ventures. When the Group's share of losses of joint ventures equals or exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

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

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

When a group entity transacts with its joint venture of the Group (such as a sale or contribution of assets), profits or losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

REVENUE RECOGNITION

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

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION *(Continued)*

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Royalty income is recognised on an accrual basis in accordance with the terms of the relevant agreement.

Commission and brokerage income is recorded as income when the trades are executed. Underwriting fee and commission income for securities listed in the Stock Exchange of Hong Kong Limited is recognised when services are rendered.

Divided income from listed investments is recognised when the shareholders' rights to receive payment have been established.

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

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under redevelopment for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under development are capitalised as part of the carrying amount of the investment properties under development.

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

INTANGIBLE ASSETS

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

IMPAIRMENT LOSSES ON ASSETS, INCLUDING INVESTMENT IN A JOINT VENTURE

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASING

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Leasehold land for own use

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

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

FOREIGN CURRENCIES

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FOREIGN CURRENCIES *(Continued)*

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

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

BORROWING COSTS

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

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

RETIREMENT BENEFIT COSTS

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

TAXATION

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION *(Continued)*

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

CASH AND CASH EQUIVALENTS

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

PROVISIONS

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROVISIONS *(Continued)*

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting period, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37, Provisions, contingent liabilities and contingent assets and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18, Revenue.

INVENTORIES

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the writedown or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are measured at fair value, with any gains or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the other gains and losses. Fair value is determined in manner described in Note 7.

Available-for-sale financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Available-for-sale financial assets *(Continued)*

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

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

Loans and receivables

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

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

Impairment losses on financial assets

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

For an available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its costs is considered to be objective evidence of impairment.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Impairment losses on financial assets *(Continued)*

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

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

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

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

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

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities

The Group's financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities

Other financial liabilities (including other payables, borrowings, amount due to a related party, amount due to shareholder amount due to a joint venture and promissory notes) are subsequently measured at amortised cost using the effective interest method.

Convertible notes

Convertible note issued by the Company that contains both a liability and embedded derivative is classified separately into these respective items on initial recognition. Conversion right that will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's shares is conversion right derivative. Redemption right at the option of the Company which is not closely related to the host contract is also embedded derivative. At the date of issue of the convertible note, the embedded derivative is recognised at fair value, the host liability is recognised at the residual amount after deducting the fair value of embedded derivative from the fair value of the convertible note as a whole.

In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Convertible notes (Continued)

If the convertible note is converted before maturity date, the respective conversion right derivative in the convertible note, together with the carrying value of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(Continued)*

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 the key management personnel of the Group or of a parent of the Group.

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

(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) The entity and the Group 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 employees of either the Group or an entity related to the Group.

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Probable litigations

As explained in note 47, in connection with the probable litigations of the Acquired Group (as defined in note 33), the directors of the Company consider that they have strong and valid ground of defense in relation to the probable litigations, if any, in respect of the Problematic Properties (as defined in note 18) and the Company has the right to occupy and lease these Problematic Properties to tenants to generate rental income. Accordingly, the Company classified these Problematic Properties as investment properties to earn rental during the year. In addition, the directors of the Company consider that Chongqing Kings Mall Business Management Company Limited (重慶帝景摩爾商業管理有限公司) ("Kings Mall Management"), a wholly-owned subsidiary of the Company, would not suffer any material financial losses arising from any litigations, if any. Thus, no provision was recognised in the consolidated financial statements for the year.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(i) Useful lives and depreciation of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different from those previously estimated, or it will write-off or write-down technically obsolete or non- strategic assets that have been abandoned or sold. As at 31 December 2015, the carrying amount of the Group's property, plant and equipment was approximately HK$35,663,000 (2014: approximately HK$31,825,000)

(ii) Useful lives and amortization of intangible assets

Items of intangible assets are amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives and residue value of the assets at each balance sheet date in order to determine the amount of amortisation expense to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(iii) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at their fair value. The fair value was based on a valuation on these properties conducted by Asset Appraisal Limited ("Asset Appraisal"), a professional independent valuer not connected to the Group, using property valuation techniques which involve making assumptions on certain market conditions and or by reference to combined result of the different property valuation techniques, if necessary. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the consolidated statement of profit or loss. As at 31 December 2015, the Group's investment properties are stated at fair value of approximately HK$2,389,000,000 (2014: approximately HK$2,090,000,000).

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

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(iv) Impairment of intangible asset

Intangible asset is tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to impairment loss. The recoverable amount is the value-in-use. The value-in-use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the relevant cash generating unit and a suitable discount rate is used in order to calculate the present value. As at 31 December 2015, the carrying amount of the Group's intangible asset was approximately HK$391,194,000 (2014: approximately HK$35,342,000).

(v) Impairment of trade and other receivables

The Group maintains an allowance for estimated loss arising from the inability of its trade and other receivables to make the required payments. The Group makes its estimates based on the history of its client, such as financial difficulties or default payments and current market conditions. If the financial condition of its trade and other receivables was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 31 December 2015, the carrying amount of the Group's trade and other receivables was approximately HK$396,920,000 (2014: approximately HK$420,940,000).

(vi) Income taxes and deferred taxation

The Group is subject to income taxes in the People's Republic of China ("PRC") and Hong Kong. Significant judgement is required in determining the provision for income taxes in these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the 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 are recognised when the management of the Company determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

(vii) Impairment of goodwill

Determining whether the goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and suitable discount rate in order to calculate the present value. The goodwill is arising on an acquisition of Ping An (As defined in note 6). Ping An's business is securities business which is capital intensive. A larger fund pool will enable Ping An to achieve better performance in its capital market operations. Therefore, the management planned to raise fund around HK$800 million to HK$1,500 million from the market in short to medium term. In making the estimation of the future cash flows, the management has made assumption that the fund raising will be completed and the related economic benefit and future cash flow due to fund raising are included in the future cash flow. The management consider that is high probability to raise fund in shortly.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(viii) Fair value of derivatives and other financial instruments

As described in notes 33 and 36, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Based on the best estimate of the directors of the Company on the current status of conditions, the Second Convertible Note (as defined in note 36) will be issued on 31 December 2016. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The carrying amount of the derivative financial assets, derivative financial liabilities, provision for contingent consideration and convertible notes as at 31 December 2015 is Nil (2014: approximately HK$12,590,000), approximately HK$125,041,000 (2014: approximately HK$35,780,000), approximately HK$202,652,000 (2014: approximately HK$259,917,000) and approximately HK$201,859,000 (2014: approximately HK$67,013,000), respectively. Details of the assumptions used are disclosed in notes 33 and 36. The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

5. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS

In preparing the consolidated financial statements for the year ended 31 December 2015, the Group has revisited the accounting treatments of an investment property located in the PRC ("the PRC Investment Property") in previous years and concluded that adjustments are required to be made to the comparative information presented so as to ensure that the consolidated financial statements presented are in compliance with HKFRSs.

The management found that the valuation of the PRC Investment Property presented in the valuation report provided by the independent valuer was denominated in HK$ instead of RMB. In this connection, the management adjusted the carrying amount of the PRC Investment Property in terms of HK$ based on the valuation amount in the valuation report. This amount was fully charged to profit or loss for the year ended 31 December 2014 and regarded as "Fair value loss on investment properties".

Based on the reassessment performed, the management considered that the functional currency of the subsidiary which owned the PRC Investment Property was RMB. The carrying amount of the PRC Investment Property should be denominated in RMB in the books of that subsidiary. The difference arose from the translation of the RMB into the presentation currency of the Group should be included in other comprehensive income for the year ended 31 December 2014.

Accordingly, certain prior year adjustments have been made and certain amounts as at 31 December 2014 and for the year ended 31 December 2014 have been restated to reflect the recognition of exchange adjustment of investment properties. The related deferred tax expenses has been changed due to the adjustment on the fair value change of investment properties. As the deferred tax liabilities were denominated at RMB and therefore, the related exchange adjustment of deferred tax liabilities has been adjusted to translation reserves.

5. RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR ERRORS *(continued)*

The effects of these prior year adjustments are summarised below:

	For the year ended 31 December 2014 HK$'000
Loss for the year	
Decrease in fair value loss on investment properties	48,315
Decrease in deferred tax credit	(12,079)
Decrease in loss for the year	36,236
Other comprehensive expenses	
Increase in exchange loss on translation of investment properties	48,315
Decrease in exchange loss on translation of deferred tax liabilities	(7,416)
Increase in exchange losses arising on translation of financial statements of foreign operations	40,899
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	
Increase in total comprehensive expense for the year attributable to owners of the Company	4,663

	For the year ended 31 December 2014 HK$'000 (As previously reported)	Adjustment HK$'000	For the year ended 31 December 2014 HK$'000 (As restated)
Consolidated profit and loss and other comprehensive income:			
Fair value change on investment properties	(452,219)	48,315	(403,904)
Deferred tax credit	113,055	(12,079)	100,976
Exchange difference arising on translation of financial statements of foreign operations	17,474	(40,899)	(23,425)

	As at 31 December 2014 HK$'000 (As previously reported)	Adjustment HK$'000	As at 31 December 2014 HK$'000 (As restated)
Consolidated financial position:			
Deferred tax liabilities	199,601	4,663	204,264
Translation reserves	113,351	(40,899)	72,452
Accumulated losses	(901,760)	36,236	(865,524)
Total equity attributable to owners of the Company	957,261	(4,663)	952,598
Loss per share (As previously reported)			(5.07 cents)
Loss per share (As restated)			(4.77 cents)

6. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to support its business and maximise shareholders' value.

The capital structure of the Group consists of net debt, which included the borrowings, convertible notes, promissory notes, amount due to a related party, amount due to a shareholder, amount due to a joint venture, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of the capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

There is no change in the capital risk management policy adopted by the Company during the years ended 31 December 2015 and 31 December 2014.

Ping An Securities Limited ("Ping An"), a wholly-owned subsidiary of the Group, is registered to Securities and Futures Commission ("SFC") for the business it operates in. Ping An is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under the SF(FR)R, Ping An must maintain their liquid capital in excess of HK$3 million or 5% of their total adjusted liabilities, whichever is higher. The required information is filed with SFC on a monthly basis.

7. FINANCIAL INSTRUMENTS

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2015 HK$'000	2014 HK$'000
Financial assets		
Fair value through profit or loss		
– Listed securities at fair value	**102**	–
– Derivative financial assets – early redemption option	**–**	12,590
	102	12,590
Other financial assets at amortised cost		
– Loan and receivables	**354,191**	–
– Trade and other receivables	**59,051**	215,141
– Pledged bank balances	**23,613**	157,731
– Bank balances and cash - general accounts	**213,214**	149,576
– Bank balances and cash - trust accounts	**144,643**	–
	794,712	522,448
	794,814	535,038
Financial liabilities		
Fair value through profit or loss		
– Provision for contingent consideration	**202,652**	259,917
– Derivative financial liabilities – embedded conversion option	**125,041**	35,780
	327,693	295,697
Other financial liabilities at amortised cost		
– Account payables	**153,313**	–
– Other payables	**221,101**	374,688
– Borrowings	**1,212,825**	900,351
– Amount due to a related party	**1,533**	1,533
– Amount due to a shareholder	**75,711**	88,536
– Amount due to a joint venture	**49,475**	49,476
– Convertible notes	**201,859**	67,013
– Promissory notes	**636,019**	–
	2,551,836	1,481,597
	2,879,529	1,777,294

7. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, loan receivables, pledged bank balances, bank balances and cash, trade and other payables, amount due to a related party, amount due to a shareholder, amount due to a joint venture, borrowings, promissory notes, convertible notes, derivative financial instruments and provision for contingent consideration. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk, liquidity risk and equity price risk.

The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

The functional currency of certain subsidiaries is RMB since part of the revenue of the Group are derived from operations in the PRC. In relation to the fluctuation on RMB against HK$, the Group considers that exchange risk arising from those currencies does not have significant financial impact to the Group. No hedging or other alternatives have been implemented during the year. The Group will consider hedging significant foreign currency exposure should the need arise. Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

As at 31 December 2015, the Group did not have significant monetary assets and monetary liabilities which were denominated in currencies other than the functional currency of the relevant group companies.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate borrowings (see note 31), loan receivables, promissory note and convertible notes, and cash flow interest rate risk in relation to variable- rate bank balances and borrowings at prevailing market rates (see notes 29 and 31, respectively). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The directors of the Company consider the Group's exposure of the short-term bank deposits and loan receivables, to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

Interest rate sensitivity

The sensitivity analysis below is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2014: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 (2014: 25) basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2015 would increase/decrease by approximately HK$2,309,000 (2014: HK$849,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and borrowings.

7. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain degree of concentration of credit risk as 29% (2014: 86%) and 60% (2014: 100%) of the total trade receivables were due from the Group's largest customer and the five largest customers, respectively. However, the directors of the Company consider the credit risk is under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

As at 31 December 2015, the Group has a significant concentration of credit risk in respect of other receivables regarding an advance of approximately HK$38.17 million granted to Xin Jia Jun (as defined in note 18), an independent third party who is the property management company of the Group's investment properties. As explained in note 28(g), pursuant to the Deed of Undertaking from Madex International Company Limited ("Madex International"), a private limited liabilities incorporated in Western Samoa, and Liang Wenguan ("Mr. Liang"), Madex International and Mr. Liang undertake and guarantee the settlement of the advance of HK$38.17 million granted to Xin Jia Jun. In addition, the directors of the Company closely monitor the credit quality of Xin Jia Jun to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk in respect of the advance granted to Xin Jia Jun is significantly reduced.

Detail of analysis of the credit risk exposure loan receivables are disclosed in note 26.

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

The Group's concentration of credit risk by geographical locations is in Hong Kong and the PRC, which accounted for all of the Group's trade receivables as at 31 December 2015 and 2014.

7. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it meets the liquidity requirements in the short and long term.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

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

As at 31 December 2015

	Weighted average interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
AMORTISED COST							
Account payables	–	153,313	–	–	–	153,313	153,313
Other payables	–	221,101	–	–	–	221,101	221,101
Amount due to a related party	–	1,533	–	–	–	1,533	1,533
Amount due to a shareholder	–	75,711	–	–	–	75,711	75,711
Amount due to a joint venture	–	49,475	–	–	–	49,475	49,475
Convertible notes (debt component)	5%	–	328,330	–	–	328,330	201,859
Borrowings	4.94%	68,966	85,943	277,553	1,412,888	1,845,350	1,212,825
Promissory notes	3.55%	29,400	29,400	850,012	–	908,812	636,019
		599,499	443,673	1,127,565	1,412,888	3,583,625	2,551,836

7. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk (Continued)

As at 31 December 2014

	Weighted average interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
AMORTISED COST							
Other payables	–	374,688	–	–	–	374,688	374,688
Amount due to a related party	–	1,533	–	–	–	1,533	1,533
Amount due to a shareholder	–	88,536	–	–	–	88,536	88,536
Amount due to a joint venture	–	49,476	–	–	–	49,476	49,476
Convertible notes (debt component)	5%	–	86,000	–	–	86,000	67,013
Borrowings	7.66%	399,811	202,346	599,141	90,282	1,291,580	900,351
		914,044	288,346	599,141	90,282	1,891,813	1,481,597

Bank borrowings with a repayment clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2015, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK$13,794,000 (2014: HK$15,171,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows is HK$14,899,000 (2014: HK$16,547,000).

In addition, as explained in note 36, as at 31 December 2015, the Company had a provision for contingent consideration relating to the Second Convertible Note (as defined in note 36) with a carrying value of approximately HK$202,652,000 (2014: HK$259,917,000) as part of the consideration in respect of the acquisition of the Acquired Group (as defined in note 33). The face value of the Second Convertible Note is HK$150,350,000 (2014: HK$150,350,000) and, in the opinion of the directors, all the conditions relating to the issuance of the Second Convertible Note would be met and the Second Convertible Note would then be issued on 31 December 2016 based on the management of the Company on the current status of conditions for issuing those convertible notes.

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

7. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial asset at fair value through profit or loss (note 27) which is listed in Hong Kong. The directors consider that the equity price risk is low because the exposure is limited.

Equity price risk sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 10% in current year as a result of the volatile financial market. If the prices of the respective equity instruments had been 10% (2014: nil) higher/lower, post-tax profit for the year ended 31 December 2015 would increase/decrease by approximately HK$8,000 (2014: nil) as a result of the changes in fair value of held-for-trading investments.

(c) FAIR VALUE

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

The following table gives information about how the fair values of the Group's financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

	Fair values as at 31 December		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	2015	2014			
Listed equity securities classified as financial assets at fair value through profit or loss	Assets – HK$102,000	Assets – Nil	Level 1	Quoted bid prices in an active market	N/A
Derivative financial instruments	Assets – Nil Liabilities – HK$125,041,000	Assets – HK$12,590,000 Liabilities – HK$35,780,000	Level 3	Binomial option pricing model Key inputs are stock price, exercise price, option life, risk free rate, volatility and dividend yield	The estimation of risk free rate has been made with reference to the yields to maturity of respective Hong Kong Exchange Fund Notes as at the valuation date Volatility is the annualised standard deviation of the continuously compounded rates of return on the daily adjusted share price of the Company

7. FINANCIAL INSTRUMENTS *(continued)*

(c) FAIR VALUE *(Continued)*

	Fair values as at 31 December 2015	Fair values as at 31 December 2014	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Provision for contingent consideration	Liabilities – HK$202,652,000	Liabilities – HK$259,917,000	Level 3	Binomial option pricing model Key inputs are price, exercise price, life, risk free rate, volatility and dividend yield	The Second Convertible Note are expected to be issued on 31 December 2016 based on the best estimation of the management of the Company on the current status of option conditions for issuing those convertible notes The estimation of risk free rate has been made with reference to the yields to maturity of respective Hong Kong Exchange Fund Notes as at the valuation date Volatility is the annualised standard deviation of the continuously compounded rates of return on the daily adjusted share price of the Company

There were no transfers between all levels in both years.

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

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

	As at 31 December 2015		As at 31 December 2014	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Promissory notes	**636,019**	**660,113**	–	–
Convertible notes	**201,859**	**253,995**	67,013	69,907

The fair value of the debt component of convertible notes is determined assuming redemption on maturity date and using a 0% to 5% interest rate.

7. FINANCIAL INSTRUMENTS *(continued)*

(c) FAIR VALUE *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	Derivative financial assets – Early redemption option of convertible notes HK$'000	Derivative liabilities financial – Embedded conversion option of convertible notes HK$'000	Provision for contingent consideration HK$'000	Total HK$'000
At 1 January 2014	(5,839)	18,039	144,564	156,764
Converted into ordinary shares	26,023	(62,730)	–	(36,707)
Issue of convertible notes	(34,233)	75,926	–	41,693
Arising on changes in fair value	1,459	4,545	115,353	121,357
At 31 December 2014 and 1 January 2015	(12,590)	35,780	259,917	283,107
Converted into ordinary shares	12,572	(82,957)	–	(70,385)
Issue of convertible notes	–	176,627	–	176,627
Arising on changes in fair value	18	(4,409)	(57,265)	(61,656)
At 31 December 2015	–	125,041	202,652	327,693

Of the total gains for the year included in profit or loss, HK$18,000 (loss), HK$4,409,000 (gain) and HK$57,265,000 (gain) related to derivative financial assets, derivative financial liabilities and provision for contingent consideration (2014: HK$1,459,000 (loss), HK$4,545,000 (loss) and HK$115,353,000 (loss)), respectively held at the end of the reporting period. Fair value gains or losses on derivative financial assets, derivative financial liabilities and provision for contingent consideration are included in "fair value change on derivative financial assets", "fair value change on derivative financial liabilities", "fair value change on contingent consideration" in the Company's consolidated statement of profit or loss, respectively for both years.

The significant unobservable input used in the fair value measurement is the expected volatility at 59.4% to 73.43%. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2015, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have decrease/increase the group's loss by HK$6,797,000 (2014: Nil).

8. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performances.

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

Property leasing	Property leased for rental income
Right to receive royalty fee	Royalty fee related to the royalty right leasing
Trading of goods	Operating of supermarket
Financial services	Securities dealing and financial services

SEGMENT REVENUES AND RESULTS

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

For the year ended 31 December 2015

	Property leasing HK$'000	**Right to receive royalty fee** HK$'000	**Trading of goods** HK$'000	**Financial services** HK$'000	**Total** HK$'000
Revenue	22,760	–	10,532	17,173	50,465
Segment profit (loss)	(365,148)	(9,251)	(33,103)	4,766	(402,736)
Unallocated corporate expenses					(29,766)
Unallocated other revenue					277,462
Share of result of a joint venture					(2)
Finance costs					(118,487)
Loss before tax					(273,529)

For the year ended 31 December 2014

	Property leasing HK$'000 (Restated)	Right to receive royalty fee HK$'000	Total HK$'000 (Restated)
Revenue	23,996	9,111	33,107
Segment loss	(419,707)	(4,160)	(423,867)
Unallocated corporate expenses			(162,400)
Unallocated other revenue			5,874
Share of result of a joint venture			(5)
Finance costs			(94,198)
Loss before tax			(674,596)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2014 and 31 December 2015.

8. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUES AND RESULTS *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents the profit or loss from each segment without allocation of central administration costs, directors' emoluments, share of result of a joint venture, interest income, finance costs, fair value change on derivative financial assets, fair value change on derivative financial liabilities and fair value change on contingent consideration. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

SEGMENT ASSETS AND LIABILITIES

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

	2015 **HK$'000**	2014 HK$'000 (Restated)
Segment assets		
Property leasing	**2,175,587**	2,534,729
Right to receive royalty fee	**30,879**	83,067
Trading of goods	**150,200**	–
Financial services	**1,303,559**	–
Total segment assets	**3,660,225**	2,617,796
Unallocated corporate assets	**1,068,061**	327,300
Total consolidated assets	**4,728,286**	2,945,096
Segment liabilities		
Property leasing	**1,448,734**	1,446,331
Right to receive royalty fee	**15,967**	4,216
Trading of goods	**11,275**	–
Financial services	**221,959**	–
Total segment liabilities	**1,697,935**	1,450,547
Unallocated corporate liabilities	**1,411,070**	541,951
Total consolidated liabilities	**3,109,005**	1,992,498

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

- all assets are allocated to operating segment assets other than certain trade and other receivables, interest in a joint venture, property, plant and equipment of head office, pledged bank balances, bank balances and cash and derivative financial assets.

- all liabilities are allocated to operating segment liabilities other than certain other payables, borrowings, tax liabilities, deferred tax liabilities, amount due to a related party, amount due to a shareholder, amount due to a joint venture, derivative financial liabilities, convertible notes, promissory notes and provision for contingent consideration.

8. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION

For the year ended 31 December 2015

	Property leasing HK$'000	Right to receive royalty fee HK$'000	Trading of goods HK$'000	Financial services HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions of property, plant and equipment and investment properties	151,309	–	4,710	120	803	156,942
Depreciation of property, plant and equipment	181	105	920	100	1,084	2,390
Additions of intangible assets	–	–	–	365,646	–	365,646
Losses on disposal of property, plant and equipment	–	3	119	–	–	122
Impairment losses on inventories	–	–	1,144	–	–	1,144
Fair value (gain) loss on investment properties	372,659	–	–	–	(206,182)	166,477
Amortisation of intangible assets	–	3,457	–	4,570	–	8,027
Gains on disposal of investment properties	(18,430)	–	–	–	–	(18,430)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:						
Interest in a joint venture	–	–	–	–	47,090	47,090
Interest income	(3,749)	(9)	(2,324)	–	(1)	(6,083)
Other loan interest income	–	–	–	–	(716)	(716)
Share of result of a joint venture	–	–	–	–	2	2
Fair value change on derivative financial assets	–	–	–	–	18	18
Fair value change on derivative financial liabilities	–	–	–	–	(4,409)	(4,409)
Fair value change on contingent consideration	–	–	–	–	(57,265)	(57,265)
Interest expenses	62,383	–	443	–	55,661	118,487
Income tax expenses (credit)	(93,164)	–	–	97	51,545	(41,522)

8. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2014

	Property leasing HK$'000 (Restated)	Right to receive royalty fee HK$'000	Trading of goods HK$'000	Unallocated HK$'000	Total HK$'000 (Restated)
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property, plant and equipment and investment properties	10,679	4	488	377	11,548
Depreciation of property, plant and equipment	586	114	–	1,095	1,795
Fair value change on investment properties	403,904	–	–	–	403,904
Amortisation of an intangible asset	–	3,625	–	–	3,625
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Interest in a joint venture	–	–	–	47,092	47,092
Interest income	(1,506)	(15)	–	–	(1,521)
Share of result of a joint venture	–	–	–	5	5
Fair value change on derivative financial assets	–	–	–	1,459	1,459
Fair value change on derivative financial liabilities	–	–	–	4,545	4,545
Fair value change on contingent consideration	–	–	–	115,353	115,353
Interest expenses	77,089	–	–	17,109	94,198
Income tax expenses	(100,976)	–	–	–	(100,976)

8. SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

The Group operates in two principal geographical areas – the PRC (excluding Hong Kong) and Hong Kong (country of domicile).

Information about the Group's revenue from external customers and information about its specified non-current assets are presented based on the geographical location.

	Revenue from external customers		Specified non-current assets	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**33,292**	33,107	**2,425,561**	2,128,190
Hong Kong	**17,173**	–	**1,162,989**	76,069
	50,465	33,107	**3,588,550**	2,204,259

INFORMATION ABOUT MAJOR CUSTOMERS

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

	Reportable and operating segment	2015 HK$'000	2014 HK$'000
Customer A	Financial services	**5,111**	N/A
Customer B	Property leasing	**21,081**	22,072
Customer C	Right to receive royalty fee	**–**	9,111

9. REVENUE AND OTHER REVENUE

The Group's revenue from sales of finished goods, rental income from leasing of investment properties, commission and brokerage income, underwriting income and royalty income in respect of royalty right leasing for the year is as follows:

	2015 HK$'000	2014 HK$'000
Revenue		
Rental income	**22,760**	23,996
Royalty income	**–**	9,111
Trading of goods	**10,532**	–
Commission and brokerage income	**1,234**	–
Underwriting income	**15,939**	–
	50,465	33,107
Other Revenue		
Interest income	**6,083**	1,521
Other loan interest income	**716**	–
Gain on trading of listed securities	**2,800**	–
Sundry income	**319**	5,438
	9,918	6,959

10. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interests on:		
– Borrowings wholly repayable within five years	**53,114**	77,740
– Borrowings wholly repayable over five years	**17,253**	3,628
– Convertible notes	**21,546**	12,830
– Promissory notes	**26,574**	–
	118,487	94,198

11. INCOME TAX CREDIT

	2015 HK$'000	2014 HK$'000 (Restated)
Current tax		
– Hong Kong Profits Tax	**852**	–
Deferred tax		
– Credit for the year	**(42,374)**	(100,976)
Income tax credit	**(41,522)**	(100,976)

Hong Kong Profits Tax is calculated at the rate of 16.5% (2014: 16.5%) of the estimated assessable profit for the year.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The tax credit for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2015 HK$'000	2014 HK$'000 (Restated)
Loss before tax	**(273,529)**	(674,596)
Tax at the domestic tax rate applicable to loss in the respective countries	**(66,569)**	(153,772)
Tax effect of share of results of a joint venture	**–**	1
Tax effect of expenses not deductible for tax purpose	**12,325**	44,270
Tax effect of income not taxable for tax purpose	**(10,178)**	(717)
Tax losses not recognised	**22,900**	9,242
Income tax credit for the year	**(41,522)**	(100,976)

The Group has tax losses arising in Hong Kong and the PRC of approximately HK$14,392,000 (2014: Nil) and approximately HK$262,971,000 (2014: HK$166,303,000), respectively. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The tax losses arising in the PRC are available for offsetting against future five years taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profits streams.

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2015 **HK$'000**	2014 HK$'000 (Restated)
Staff costs:		
– Directors' emoluments *(note 13)*	**3,081**	2,985
– Other staff costs:		
– Salaries and other benefits	**18,063**	11,892
– Retirement benefit scheme contributions	**1,735**	1,272
Total staff costs	**22,879**	16,149
Amortisation of intangible assets	**8,027**	3,625
Depreciation for property, plant and equipment	**2,390**	1,795
Total depreciation and amortisation	**10,417**	5,420
Cost of inventories sold	**8,932**	–
Impairment losses on inventories	**1,144**	–
Auditor's remuneration	**1,000**	950
Minimum lease payments under operating lease	**2,294**	690
Rental income from investment properties	**(22,760)**	(23,996)
Direct operating expenses incurred in respect of investment properties that generated rental income during the year	**8,834**	13,687

13. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

DIRECTORS' EMOLUMENTS

The emolument paid or payable to each of the 8 (2014: 8) directors of the Company were as follows:

For the year ended 31 December 2015

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Zhang Guodong	–	1,170	–	–	1,170
Nijssen Victoria	–	1,030	–	–	1,030
	–	2,200	–	–	2,200
Non-executive directors					
Marco Theodorus Nijssen *(note (a))*	148	–	–	–	148
Jacobsen William Keith *(note (b))*	74	–	–	–	74
	222	–	–	–	222
Independent non-executive directors					
Dong Ansheng	226	–	–	–	226
Hung Hing Man *(note (c))*	205	–	–	–	205
Hong Sze Lung *(note (d))*	205	–	–	–	205
Wong Yee Shuen *(note (e))*	23	–	–	–	23
	659	–	–	–	659
	881	2,200	–	–	3,081

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

DIRECTORS' EMOLUMENTS (continued)

For the year ended 31 December 2014

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Zhang Guodong	–	975	–	–	975
Nijssen Victoria	–	845	–	–	845
Liang Wenguan *(note (f))*	–	673	–	–	673
	–	2,493	–	–	2,493
Non-executive director					
Marco Theodorus Nijssen *(note (a))*	45	–	–	–	45
Independent non-executive directors					
Dong Ansheng	170	–	–	–	170
Hung Hing Man *(note (c))*	170	–	–	–	170
Hong Sze Lung *(note (d))*	107	–	–	–	107
Tam Hok Lam, Tommy *(note (g))*	–	–	–	–	–
	447	–	–	–	447
	492	2,493	–	–	2,985

Notes:

(a) Mr. Marco Theodorus Nijssen was appointed as a non-executive director of the Company with effect from 24 October 2014 and resigned as a non-executive director of the Company with effect from 12 August 2015.

(b) Mr. Jacobsen William Keith was appointed as a non-executive director of the Company with effect from 12 August 2015.

(c) Mr. Hung Hing Man resigned as independent non-executive director of the Company with effect from 17 November 2015.

(d) Mr. Hong Sze Lung was appointed as independent non-executive director of the Company with effect from 15 May 2014 and resigned as independent non-executive director of the Company with effect from 17 November 2015.

(e) Mr. Wong Yee Shuen was appointed as an independent non-executive director of the Company with effect from 17 November 2015.

(f) Ms. Liang Wenguan resigned as executive director of the Company with effect from 15 May 2014.

(g) Mr. Tam Hok Lam, Tommy passed away on 17 February 2014.

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

DIRECTORS' EMOLUMENTS (continued)

All the fees, salaries and other benefits and retirement benefit scheme contributions were paid or payable by the Company.

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group during the year ended 31 December 2015 (2014: nil). No emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group during the two years ended 31 December 2015 (2014: nil) and no compensation for loss of office were paid for both years ended 31 December 2015 (2014: nil).

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 2 (2014: 3) were directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining 3 (2014: 2) individuals are as follows:

	2015 **HK$'000**	2014 HK$'000
Salaries, allowance and other benefits	**1,855**	1,476
Retirement benefit scheme contributions	**36**	33
	1,891	1,509

Their emoluments were within the following band:

	Number of individuals	
	2015	2014
Nil to HK$1,000,000	**3**	2

During the year ended 31 December 2015, no emoluments have been paid by the Group to the five highest paid individuals (including directors of the Company and employees) as an inducement to join or upon joining the Group, or as compensation of loss of office (2014: nil).

15. DIVIDENDS

No dividend was paid or proposed during 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

16. LOSS PER SHARE

(a) BASIC LOSS PER SHARE

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

	2015 HK$'000	2014 HK$'000 (Restated)
Loss for the year attributable to the owners of the Company	**232,007**	573,620

	2015 '000	2014 '000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**13,225,076**	11,842,647
Effect of shares issued upon conversion of convertible notes	**460,867**	175,035
Effect of share issued	**1,132,989**	–
Effect of repurchases of shares	**(6,666)**	–
Weighted average number of ordinary shares at 31 December	**14,812,266**	12,017,682

(b) DILUTED LOSS PER SHARE

The diluted loss per share for the years ended 31 December 2015 and 31 December 2014 is equivalent to the basic loss per share for both years as the potential shares arising from the conversion of the convertible bonds would decrease the loss per share of the Group for both years, and is regarded as anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2014	34,475	771	713	5,922	4,048	45,929
Exchange adjustments	–	–	–	(79)	(27)	(106)
Additions	–	–	–	255	1,044	1,299
Derecognised on disposal of Dynamic Progress Group (as defined in note 40(a))	–	–	–	(920)	(942)	(1,862)
Derecognised on disposal of Liberal Supply Group (as defined in note 40(b))	(1,230)	–	(713)	(1,343)	(763)	(4,049)
Other disposals	–	–	–	–	(187)	(187)
At 31 December 2014 and 1 January 2015	33,245	771	–	3,835	3,173	41,024
Exchange adjustments	–	(6)	–	(178)	(94)	(278)
Additions from acquisition of a subsidiary	–	346	–	152	142	640
Additions from business combination	–	821	–	454	–	1,275
Additions	–	9	–	3,893	993	4,895
Other disposals	–	–	–	(458)	–	(458)
At 31 December 2015	33,245	1,941	–	7,698	4,214	47,098

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
DEPRECIATION AND IMPAIRMENT						
At 1 January 2014	5,244	565	713	3,629	3,042	13,193
Exchange adjustments	–	–	–	5	193	198
Charge for the year	891	154	–	549	201	1,795
Eliminated in respect of derecognised on disposal of Dynamic Progress Group	–	–	–	(895)	(856)	(1,751)
Eliminated in respect of derecognised on disposal of Liberal Supply Group	(1,230)	–	(713)	(1,343)	(763)	(4,049)
Eliminated on other disposals	–	–	–	–	(187)	(187)
At 31 December 2014 and 1 January 2015	4,905	719	–	1,945	1,630	9,199
Exchange adjustments	–	–	–	(143)	(11)	(154)
Charge for the year	890	100	–	1,076	324	2,390
At 31 December 2015	5,795	819	–	2,878	1,943	11,435
CARRYING VALUES						
At 31 December 2015	27,450	1,122	–	4,820	2,271	35,663
At 31 December 2014	28,340	52	–	1,890	1,543	31,825

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

- Leasehold land and buildings — Over the lease terms
- Leasehold improvements — Over the lease terms
- Plant and machinery — 10-15 years
- Furniture and equipment — 5-15 years
- Motor vehicles — 4-10 years

As at 31 December 2015 and 2014, the Group's leasehold land located in Hong Kong was held under medium-term lease.

Leasehold land and buildings with carrying amount of approximately HK$27,450,000 (2014: HK$28,340,000) has been pledged to a bank to secure the Group's bank borrowings of approximately HK$13,794,000 (2014: HK$15,171,000).

18. INVESTMENT PROPERTIES

	Completed investment properties in the PRC *(note (a))* HK$'000 (Restated)	Investment properties under development in the PRC *(note (b))* HK$'000	**Total** HK$'000
FAIR VALUE			
As at 1 January 2014	2,974,424	–	2,974,424
Additions	10,249	–	10,249
Exchange adjustments	(53,901)	–	(53,901)
Derecognised on disposal of subsidiaries	(436,868)	–	(436,868)
Decrease in fair value recognised in profit or loss	(403,904)	–	(403,904)
As at 31 December 2014 and 1 January 2015	2,090,000	–	2,090,000
Acquisition of a subsidiary	–	445,798	445,798
Additions	151,256	791	152,047
Disposals	(22,094)	–	(22,094)
Exchange adjustments	(96,503)	(13,771)	(110,274)
Increase (decrease) in fair value recognised in profit or loss	(372,659)	206,182	(166,477)
As at 31 December 2015	1,750,000	639,000	2,389,000

The Group's investment properties as at 31 December 2015 and 2014 were situated in the PRC and were held under medium-term lease. As at 31 December 2015, there were investment properties held by the Group, which were located at Chongqing (the "Chongqing Property"). The investment properties located in Harbin ("Harbin Properties") was classified as completed investment properties as at 31 December 2013 and was disposed of upon the disposal of subsidiaries during the year ended 31 December 2014.

(a) The fair values of the Chongqing Property as at 31 December 2015 and 31 December 2014 were arrived at on the basis of valuations carried out by Asset Appraisal, a professional independent valuer not connected to the Group. The Chongqing Property was valued by the discounted cash flow method and where appropriate, the comparison method. Discounted cash flow approach is based on the present value of future economic benefits expected to be derived from the properties. The value of the Chongqing Property was developed by discounting future debt free cash flows available for distribution to the owners of the property to their present value at market derived rates of return appropriate for the risks and hazards of holding similar assets. Comparison method is based on prices realised or market prices of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

18. INVESTMENT PROPERTIES *(continued)*

(a) *(continued)*

During the period from 1 January 2004 to 31 December 2006, Kings Mall Management entered into sales and purchase agreements ("SP Agreements") in respect of the selling certain portion of B1/F of the shopping mall of the Chongqing Property to certain independent third parties (the "Buyers"). As the conditions that the investment properties have a fixed boundary in accordance with 房屋登記辦法 (Measures for Building Registration*) that could not be met, the legal title of the properties could not be transferred to these Buyers. Starting from 1 January 2009, Kings Mall Management commenced to negotiate with the Buyers to enter into cancellation agreements in relation to the SP Agreements. Up to 31 December 2015, certain Buyers have not yet entered into the cancellation agreements with Kings Mall Management. The directors of the Company consider that, in view of these unresolved issues with the Buyers, such portion of the Chongqing Property (the "Problematic Properties") was excluded from the fair value valuation in respect of the entire Chongqing Property.

In relation to the SP Agreements, the leasing agency contracts and the mortgage contracts were signed together with SP Agreements among the Buyers, Kings Mall Management and Chongqing Xin Jia Jun Construction and Decoration Engineering Co. Ltd.* (重慶新佳俊建築裝飾工程有限公司) ("Xin Jia Jun"), formerly known as 重慶佳俊商務管理顧問有限公司, an independent third party who is the existing property management company of the Chongqing Property). Pursuant to the terms of the leasing agency contracts, Xin Jia Jun would pay the Buyers an annual rental income equivalent to ten percent of the purchase price of the properties over twenty years (the "Guaranteed Rent"). Pursuant to a termination contract signed on 1 January 2011, the obligation of paying Guaranteed Rent was transferred to Kings Mall Management on 1 February 2011.

Based on legal opinion of the Company's legal advisor, though the Problematic Properties could not be sold or mortgaged, however, since Kings Mall Management is willing to pay the Guaranteed Rent to the Buyers in accordance with the leasing agency contracts, Kings Mall Management is eligible to lease the Problematic Properties to third parties. Pursuant to an undertaking agreement signed on 27 February 2011 between the Company and Mr. Liang, Mr. Liang has agreed to undertake all costs that Kings Mall Management may suffer in connection therewith arising or accruing on or before the date of acquisition of net assets through an acquisition of Kings Mall Management and its holding companies and subsidiaries, including but not limited to the SP Agreements, cancellation contracts, leasing agency contracts, in respect thereof but excluding the original purchase price.

The directors of the Company are of the opinion that the Company is eligible to occupy the Chongqing Property, including the Problematic Properties and to lease them to other tenants to generate rental income. During the years ended 31 December 2014 and 31 December 2015, the Company leased out the Chongqing Property, including the Problematic Properties and accordingly, the Chongqing Property was classified as investment properties to earn rental during both years.

18. INVESTMENT PROPERTIES *(continued)*

(b) The fair value of the underdevelopment investment properties, which included a piece of land located in Xiqiao Town, Foshan City, Guangdong Province (the "Properties") and were acquired through the acquisition of a subsidiary on 28 August 2015, is set out in note 38. The fair value for the Properties as at 31 December 2015 had been arrived at on the basis of a valuation carried out on 31 December 2015 by Asset Appraisal, a professional independent valuer not connected to the Group. As the Properties is underdeveloped, the residual method is adopted by making reference to recent comparable sales transactions as available in the relevant property market (i.e. direct comparison approach) and taking into account the construction costs to reflect the quality of the completed development.

(c) All of the Group's property interests held under operating leases to earn rentals or capital appreciation are measured using the fair value model and are classified and accounted for as investment properties. As at 31 December 2015, the Group's completed investment properties with carrying amount of approximately HK$1,750,000,000 (2014: HK$2,090,000,000) were pledged to secure the Group's bank and other borrowings of approximately HK$1,122,656,000 (2014: HK$810,461,000).

Fair valve measurement of the Group's investment properties

Independent valuations were performed by the valuer, Asset Appraisal, a professional independent valuer not connected to the Group, to determine the fair values of investment properties held by Group as at 31 December 2015 (2014: Asset Appraisal). The revaluation gains or losses recognised in respect of investment properties are included in the profit or loss.

The following table gives information about how the fair values of the Group's investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Carrying value of investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range of unobservable input(s)	Relationship of unobservable inputs to fair value
At 31 December 2015					
Chongqing Property HK$1,750,000,000	Level 3	Discount cash flow method and where appropriate, the comparison method	Prevailing market rents	RMB112 – RMB290/ sq.m./month	The higher the prevailing market rent, the higher the fair value
			Rent growth rate (p.a.)	5% p.a.	The higher the rent growth rate, the higher the fair value
			Vacancy rate	5% – 40% p.a.	The higher the vacancy rate, the lower the fair value
			Pre-tax discount rate	9.74% p.a.	The higher the discount rate, the lower the fair value

18. INVESTMENT PROPERTIES *(continued)*

Fair valve measurement of the Group's investment properties (continued)

Carrying value of investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range of unobservable input(s)	Relationship of unobservable inputs to fair value
Xiqiao Property HK$639,000,000	Level 3	Residue method	Adjusted market price (RMB/Sq.m)	RMB5,560-15,057	The higher the market price, the higher the fair value
			Budgeted construction cost to be incurred (RMB/Sq.m)	RMB4,571	The higher the budgeted construction cost to be incurred, the lower the fair value
			Remaining percentage to completion	100%	The higher the remaining percentage to completion, the lower the fair value
			Anticipated developer's profit margin	15%	The higher the anticipated developer's profit margin, the lower the fair value

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

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Carrying value of investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range of unobservable input(s)	Relationship of unobservable inputs to fair value
At 31 December 2014					
Chongqing Property HK$2,090,000,000	Level 3	Discount cash flow method and where appropriate, the comparison method	Prevailing market rents	RMB150 – RMB450 /sq.m./month	The higher the prevailing market rent, the higher the fair value
			Rent growth rate (p.a.)	6% p.a.	The higher the rent growth rate, the higher the fair value
			Vacancy rate	5% – 40% p.a.	The higher the vacancy rate, the lower the fair value
			Pre-tax discount	10.32% – 11.31% p.a.	The higher the discount rate, the lower the fair value

* The English translation is for identification purposes only

19. GOODWILL

	2015 HK$'000	2014 HK$'000
COST		
Arising from business combination and as at 31 December	**725,330**	–
IMPAIRMENT		
As at 1 January and at 31 December	**–**	–
CARRYING VALUES		
As at 31 December	**725,330**	–

Particulars regarding impairment testing on goodwill and disclosed in note 20.

20. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out in note 19 has been allocated to individual cash generating units (CGUs), comprising a subsidiary in financial services segment. The carrying values of goodwill as at 31 December 2015 allocated are as follow:

	2015 HK$'000	2014 HK$'000
Financial services – Ping An	**725,330**	–

During the year ended 31 December 2015, the management of the Group determines that there are no impairment of CGUs containing goodwill.

Financial services segment

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period with a pre-tax discount rate of 20.34%. Financial services segment's cash flows beyond the 5-year period are extrapolated using a declining growth rate. This growth rate is based on the economy, relevant industry and the past performance of the company. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. In making the estimation of the future cashflows, the management had made assumption that the fund raising stated in note 4 will be completed. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of financial services segment to exceed the aggregate recoverable amount of financial services segment.

21. INTANGIBLE ASSETS

	Trademark HK$'000	License HK$'000	Right to receive royalty fee HK$'000	Total HK$'000
COST				
At 1 January 2014	–	–	56,911	56,911
Exchange adjustments	–	–	(1,419)	(1,419)
At 31 December 2014	–	–	55,492	55,492
Additions from business combination	360,646	5,000	–	365,646
Exchange adjustments	–	–	(2,948)	(2,948)
At 31 December 2015	360,646	5,000	52,544	418,190
AMORTISATION				
At 1 January 2014	–	–	17,069	17,069
Charge for the year	–	–	3,625	3,625
Exchange adjustments	–	–	(544)	(544)
At 31 December 2014	–	–	20,150	20,150
Charge for the year	4,508	62	3,457	8,027
Exchange adjustments	–	–	(1,181)	(1,181)
At 31 December 2015	4,508	62	22,426	26,996
CARRYING VALUES				
At 31 December 2015	356,138	4,938	30,118	391,194
At 31 December 2014	–	–	35,342	35,342

21. INTANGIBLE ASSETS *(continued)*

One of the intangible assets of the Group as at 31 December 2015 represented the right to receive royalty fee acquired from Zhuhai City Guo Xiang Investment and Consultancy Limited, an independent third party, during the year ended 31 December 2009. The Group's right to receive royalty fee last for 16 years and expiring on 31 December 2024, at an annual royalty fee of RMB5,000,000 (approximately HK$6,098,000) to RMB7,800,000 (approximately HK$9,512,000), pursuant to a management agreement.

The consideration for the acquisition of right to receive royalty fee was satisfied by cash of HK$28,000,000 and 320,837,000 newly issued consideration shares of the Company of HK$0.07, being the closing share price of the Company at the completion date of the acquisition. The transaction was completed on 20 April 2009 and the fair value of the intangible asset as at the completion date was considered to be approximately HK$50,459,000. As at 31 December 2015 and 2014, part of the consideration of HK$10,000,000 has not yet been settled and the amount was included in the Group's trade and other payables in the consolidated statement of financial position as at 31 December 2015 (note 30).

The intangible asset of right to receive royalty fee has definite useful lives and is amortised over 16 years using the straight-line method.

During the year ended 31 December 2015, the hotel operator has financial difficulties and therefore fails to pay royalty fee to the Group. The management of the Group considers to sell out the intangible asset. The Group has signed a letter of intention at 29 February 2016 for the disposal of intangible asset at a consideration of RMB28,000,000. As the recoverable amounts of intangible exceed the carrying amount of intangible asset, therefore, the management considers there is no impairment on intangible asset.

During the year ended 31 December 2015, the Group acquired 100% of Grand Ahead Limited ("Grand Ahead"). One of the intangible assets arised from acquisition of subsidiary represents the trademark. The management assessed the trademark to be 20 years useful lives. The valuation of trademark in the amount of HK$360,646,000 at the time of acquisition was carried by Asset Appraisal.

Another intangible asset arised from acquisition of subsidiary represents the licence under Securities and futures Ordinance, CAP.571, namely Type 1 Dealing in securities, Type 4 Advising on Securities, Type 6 Advising on Corporate Finance and Type 9 Asset Management with the estimated useful life of 20 years allied with the useful life of trademark. The valuation of the intangible assets in amount of HK$5,000,000 at the time of acquisition was carried out by the independent firm of professional valuer.

Trademark and licence have definite useful lives and are amortised over 20 years using the straight-line method.

22. AVAILABLE-FOR-SALE INVESTMENTS

	2015 **HK$'000**	2014 HK$'000
Unlisted equity securities	**34,500**	34,500
Less: Impairments	**(34,500)**	(34,500)
	–	–

The amounts represent investments in unlisted equity securities issued by private entities incorporated overseas. They are measured at cost less impairment, if any.

In prior years, the carrying amounts of the investments were written down to nil through the recognition of impairment losses. After considering the poor operating performance of these investee companies, the directors are of the view that no impairment should be reversed in the current year.

23. INTEREST IN A JOINT VENTURE

	2015 **HK$'000**	2014 HK$'000
Cost of unlisted investment	**35,000**	35,000
Share of post-acquisition profit or loss	**12,090**	12,092
	47,090	47,092

(a) As at 31 December 2015 and 2014, the Group had interest in the following joint venture:

					Percentage of			
Name of company	Form of entity	Place of incorporation/ registration	Principal place of operation	Particulars of issued shares held	Ownership interest	Voting power	Profit sharing	Principal activities
Madex (Zhuhai) Limited ("Madex Zhuhai")	Incorporated	British Virgin Island	The PRC	Ordinary share of US$1 each	49% *(note (d))*	50%	49% *(note (d))*	Property development and provision of management services

Madex Zhuhai, the only joint venture in which the group participates, is an unlisted corporate entity whose quote market price is not available.

(b) On 2 July 2011, Madex Trading Limited ("Madex Trading"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "Joint Venture Agreement") with Grand Ocean Investment Company Limited ("Grand Ocean") for the establishment of Madex Zhuhai.

23. INTEREST IN A JOINT VENTURE *(continued)*

(c) Madex Zhuhai is held as to 49% and 51% by Madex Trading and Grand Ocean, respectively, as such Madex Zhuhai has a paid-up capital of HK$35 million which was contributed solely by Madex Trading in cash. Grand Ocean contributes to Madex Zhuhai by procuring 珠海市保利三好有限公司("保利三好"), a non-wholly owned subsidiary of Grand Ocean, to enter into a management agreement with Madex Zhuhai (the "Management Agreement") dated 2 July 2010 for provision of property management services to 保利三好 and its subsidiary by Madex Zhuhai as well as injection of management skill, marketing and selling strategy.

(d) A supplemental agreement was signed between Madex Trading and Grand Ocean that Grand Ocean can only start to have its 51% sharing on the financial result and net financial position of Madex Zhuhai if the Management Agreement has been commenced. As the Management Agreement has not yet been commenced in 2015 and 2014, 100% of the financial result and net assets of Madex Zhuhai has been shared by the Group for the years ended 31 December 2015 and 2014.

(e) The summarised financial information in respect of the Group's interest in the joint venture which is accounted for using the equity method is set out below:

	2015 **HK$'000**	2014 HK$'000
Current assets	**49,482**	49,484
Non-current assets	**–**	–
Current liabilities	**(2,392)**	(2,392)
Net assets	**47,090**	47,092
The Group's share of net assets of the joint venture	**47,090**	47,092

	2015 **HK$'000**	2014 HK$'000
Total revenue	**–**	–
Other income	**–**	–
Expenses	**(2)**	(5)
Tax	**–**	–
Loss after tax and total comprehensive expenses	**(2)**	(5)
The Group's share of result of the joint venture	**(2)**	(5)

24. OTHER DEPOSITS

	2015 HK$'000	2014 HK$'000
Statutory and other deposits	**273**	–

Statutory and other deposits represent deposits with various exchanges and clearing houses. They are non-interest bearing.

25. INVENTORIES

	2015 HK$'000	2014 HK$'000
Finished goods	**7,053**	–

26. LOAN RECEIVABLES

	2015 HK$'000	2014 HK$'000
Fixed-rate loan receivables	**354,191**	–
Analysed as		
Current	**354,191**	–

The carrying amount of the Group's fixed-rate loans receivable has remaining contractual maturity date as follows:

	2015 HK$'000	2014 HK$'000
Fixed-rate loan receivables		
Within one year	**354,191**	–

The Group has loan receivables of RMB300,000,000 (equivalent to HK$354,191,000), which carries interest at 10% per annum.

The principal amount of RMB200,000,000 and RMB100,000,000 will be receivable on 16 November 2016 and 8 December 2016 respectively.

The loan receivables were secured by properties located in The People's Republic of China.

The collateral for the loan is sufficient to cover the loan amount on an individual basis.

27. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK$'000	2014 HK$'000
Equity securities, at fair value		
– Listed in Hong Kong	**102**	–

28. TRADE AND OTHER RECEIVABLES

	Notes	2015 HK$'000	2014 HK$'000
Trade receivables from			
– Clearing house and cash clients	(a) (b)	**5,597**	–
– Others	(b)	**1,421**	10,426
Less: Allowances		**–**	–
		7,018	10,426
Deposit paid in respect of the acquisition of Full Boom Global Limited ("Full Boom")	(c)	**–**	107,000
Deposit paid in respect of the acquisition of property, plant and equipment	(d)	**–**	19,009
Tendering deposit paid	(e)	**–**	37,406
Payment in respect of the maintenance of the Group's Chongqing property	(f)	**30,697**	32,419
Advance property management fee		**8,264**	8,728
Advance to a third party	(g)	**38,165**	192,408
Other receivables, prepayment and deposit	(h)	**312,776**	13,544
		389,902	410,514
		396,920	420,940

Notes:

(a) Trade receivables – clearing house and cash clients

The settlement terms of trade receivables are two days after trade date.

(b) Trade receivables

The credit period granted to the Group's trade receivables generally ranges from 30 to 120 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2015 HK$'000	2014 HK$'000
Within 3 months	**5,640**	2,681
4 to 6 months	**–**	2,681
Over 6 months	**1,378**	5,064
Total	**7,018**	10,426

The Group does not hold any collateral over these balances.

28. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(b) Trade receivables *(continued)*

AGEING OF TRADE RECEIVABLES WHICH ARE PAST DUE BUT NOT IMPAIRED

	2015 **HK$'000**	2014 HK$'000
Overdue by:		
Within 3 months	–	2,774
4 to 6 months	–	2,831
Over 6 months	**1,378**	–
Total	**1,378**	5,605

Trade receivables that were past due but not impaired relate to independent customers that have signed an agreement with the Group to settle the balance by 4 instalments. The first instalment was received in February 2016. The management believes that no impairment allowance is necessary and the balances are still considered fully recoverable due to the signed agreement.

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

(c) Deposit paid in respect of the acquisition of Full Boom

As at 31 December 2014, the amount of HK$107 million represents the refundable deposit paid in respect of the acquisition of the entire share capital of Full Boom. Pursuant to the sale and purchase agreement for the acquisition of a subsidiary, the deposit was recognized as part of consideration. The acquisition was completed on 28 August 2015 and details of which are set out in note 38.

(d) Deposit paid in respect of the acquisition of property, plant and equipment

As at 31 December 2014, the amount of approximately RMB15,246,000 (equivalent to HK$19,009,000) represents the deposit paid in respect of the acquisition of a computer system from 長春奧祥達電子產品經銷處 ("奧祥達"), an independent third party. Pursuant to the asset acquisition agreement and the related supplementary agreement between the Group and 奧祥達, 奧祥達 agreed to refund the whole amount to the Group if 奧祥達 is unable to deliver the computer system to the Group in accordance with the respective agreements. The deposit was refunded during the year ended 31 December 2015 since 奧祥達 was unable to deliver the computer system to the Group.

(e) Tendering deposit paid

As at 31 December 2014, the amount of RMB30,000,000 (equivalent to HK$37,406,000) represents the refundable deposit paid in respect of the acquisition of a property located in Zhuhai, the PRC. The Group lost the tender and the amount was refunded to the Company on 2 June 2015.

(f) Payment in respect of the maintenance of the Group's Chongqing Property

As at 31 December 2015, the amount of RMB26,000,000 (equivalent to HK$30,697,000) (2014: RMB26,000,000, equivalent to HK$32,419,000) represents the payment made to Xin Jia Jun in respect of the property maintenance of the Group's Chongqing Property. Xin Jia Jun is the property management manager of the Group's Chongqing Property.

28. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(g) Advance to a third party

As at 31 December 2015, the amount of approximately RMB32,326,000 (equivalent to HK$38,165,000) (2014: RMB154,311,000, equivalent to HK$192,408,000) represents an unsecured and interest-free advance granted to Xin Jia Jun. The amount is a financial assets stated at amortised cost and has no fixed repayment schedule. As at 31 December 2014, an amount of approximately HK$150,000,000 represented the fund transferred to Xin Jia Jun for the early settlement of the Xin Jia Jun Loan (as defined in note 31(b)) granted by the PRC financial institution and details of which are set out in note 31(b). Pursuant to the Deed of Undertaking from Madex International and Mr. Liang, Madex International and Mr. Liang undertake and guarantee the settlement of the advance of HK$38,165,000 (2014: HK$192,408,000) granted to Xin Jia Jun. Accordingly, the directors of the Company consider that the Group is able to recover the entire amount from Xin Jia Jun and thus, no impairment was recognised for the year ended 31 December 2015.

(h) As at 31 December 2015, the amount of RMB230,160,000 (approximately HK$271,736,000) (2014: Nil) represents the prepayment of the first phase of development of the investment properties in the PRC. Pursuant to the construction contract, the total development cost of investment properties is RMB812,000,000 (approximately HK$958,678,000). The development of investment properties will be started by the coming financial year. As at 31 December 2015, the amount of approximately HK$13,868,000 represents other receivables which are stated at amortised cost. The remaining amount of approximately HK$27,172,000 represents prepayment and non-refundable deposits.

29. PLEDGED BANK BALANCES, BANK BALANCES AND CASH

	Notes	**2015 HK$'000**	2014 HK$'000
Pledged bank balances	(a)	**23,613**	157,731
Bank balances and cash – general accounts	(b)	**213,214**	149,576
Bank balances and cash – trust accounts	(c)	**144,643**	–
		381,470	307,307

Notes:

(a) The pledged bank balances of approximately HK$23,613,000 (2014: HK$157,731,000 pledged to a bank for bank loans and other payables) were pledged to a bank to guarantee of tariff. The pledged bank balances bear interest at the rate of 0.3% per annum (2014: 0.385% per annum). The pledged bank balances will be released upon the settlement of the relevant bank borrowings. As the pledged bank balances are expected to be released within one year, it was classified as current asset.

(b) At 31 December 2015, the balances that were placed with banks in the PRC amounted to approximately HK$82,938,000 (2014: HK$25,166,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government. Bank balances carry interest at floating rates based on daily bank deposit rates for both years.

(c) The Group maintains segregated accounts with authorised institutions to hold client money in the normal course of business.

30. TRADE AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Account payables		
– Clearing house and cash client	**149,610**	–
– Others	**3,703**	–
Construction cost payables, other payables, accrued charges and others	**144,827**	268,945
Outstanding consideration for acquisition of intangible asset through acquisition of a subsidiary *(note 21)*	**10,000**	10,000
Refundable deposits received	**66,274**	95,743
Rental received in advance	**4,135**	10,730
	378,549	385,418

The following is an aged analysis of accounts payable presented based on the invoice date.

	2015 HK$'000	2014 HK$'000
0-60 days	**152,377**	–
61-90 days	**–**	–
>90 days	**936**	–
	153,313	–

31. BORROWINGS

	Notes	2015 HK$'000	2014 HK$'000
Secured bank borrowings	(a)	**1,136,450**	688,475
Other borrowings			
– secured	(b)	**–**	137,157
Unsecured debentures	(c)	**76,375**	74,719
		1,212,825	900,351
The carrying amount is repayable:			
Within one year, or on demand		**2,361**	249,377
More than one year, but not exceeding two years		**33,085**	124,688
More than two years, but not more than five years		**82,955**	445,525
More than five years		**1,080,630**	65,590
		1,199,031	885,180
Carrying amount of borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause which was shown under current liabilities		**13,794**	15,171
		1,212,825	900,351
Less: Amount due within one year shown under current liabilities		**(16,155)**	(264,548)
		1,196,670	635,803

31. BORROWINGS *(continued)*

Notes:

(a) Secured bank borrowings

All bank borrowings were secured by the leasehold land and buildings and investment properties with the total carrying value of HK$1,777,450,000 (2014: HK$2,118,340,000). In additions, bank borrowings amounting to HK$1,136,450,000 (2014: HK$488,974,000) were guaranteed by Mr. Liang.

The bank borrowings bear interest at the rate of:	**2015 HK$'000**	2014 HK$'000
Nil (2014: 6.77%) per annum, with reference to the benchmark bank loan interest rate quoted by the People's Bank of China ("PBOC") floating upward by 10% and repayable by installments until 20 December 2018	**–**	299,252
Nil (2014: 9%) per annum, with reference to the benchmark bank loan interest rate quoted by PBOC floating upward by 50% and repayable by installments until 30 May 2018	**–**	174,551
1.5% (2014: 1.5%) per annum over Hong Kong Interbank Offered Rate and capped at 1.5% (2014: 1.5%) per annum below the Hong Kong Dollar Best Lending Rate and repayable by installments until 26 February 2025	**13,794**	15,171
4.9% (2014: Nil) per annum, with reference to the benchmark bank loan interest rate quoted by PBOC and repayable by installments until 13 October 2025	**1,122,656**	–
Nil (2014: 8%) per annum and repayable by installments until 24 July 2017	**–**	199,501
	1,136,450	688,475

31. BORROWINGS *(continued)*

Notes: (continued)

(b) Secured other borrowings

Pursuant to the entrusted loan agreement between the Group and Xin Jia Jun on 27 August 2014, Xin Jia Jun raised a loan of RMB110,000,000 (equivalent to approximately HK$137,157,000) from a PRC financial institution on behalf of the Group (the "Xin Jia Jun Loan"). The Xin Jia Jun Loan bears interest at the rate of 9% per annum and is repayable on or before 27 October 2015. The loan was secured by the Group's Chongqing Property with the carrying value of approximately HK$255,768,000 at the end of the previous reporting period. In November 2014, the Company transferred an amount of RMB120,000,000 (equivalent to approximately HK$150,000,000) to Xin Jia Jun, representing the principal and interest of the Xin Jia Jun Loan for early settlement of the Xin Jia Jun Loan granted by the PRC financial institution. However, the early settlement of the Xin Jia Jun Loan has not yet been agreed with the PRC financial institution and thus, the amount of HK$150,000,000 was recorded as an advance from the Company to Xin Jia Jun which was included in the Group's trade and other receivables in the Company's consolidated statement of financial position as at 31 December 2014 (see note 28(g)). During the year ended 31 December 2015, Xin Jia Jun Loan was settled by Xin Jia Jun with the amount of RMB110,000,000. As at 31 December 2015, there was no outstanding balance of Xin Jia Loan (2014: RMB110,000,000).

(c) Unsecured debentures

As at 31 December 2015, the amount represented the Group's unsecured debenture issued to certain independent third parties which were interest-bearing ranging from 5% to 6% per annum with 2 to 6 years maturity.

32. AMOUNT DUE TO A RELATED PARTY, AMOUNT DUE TO A SHAREHOLDER AND AMOUNT DUE TO A JOINT VENTURE

(a) Amount due to a related party

The amount due to a related party represents an advance granted by Madex International which is unsecured, interest-free and repayable on demand. Mr. Liang, the shareholder of the Company, owns the entire share capital of Madex International.

(b) Amount due to a shareholder

The amount due to a shareholder represents an advance granted by Mr. Liang which is unsecured, interest-free and repayable on demand.

(c) Amount due to a joint venture

The amount due to a joint venture represents an advance granted by Madex Zhuhai which is unsecured, interest-free and repayable on demand.

33. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT

On 7 July 2011, the Company issued zero-coupon convertible notes (the "First Convertible Note") with a nominal value of approximately HK$502,521,000 as part of the consideration for the acquisition of Kings Mall Management and its holding companies and subsidiaries (the "Acquired Group") from Profit China Investments Development Limited ("Profit China"), a company which is beneficially wholly owned by Mr. Liang. The Acquired Group mainly holds the Chongqing Property and other assets and liabilities. The First Convertible Note is denominated in Hong Kong dollars. The First Convertible Note entitles the holders to convert them into ordinary shares of the Company at any time falling six months after the date of issue of the First Convertible Note and their settlement date on 6 July 2016, being the fifth anniversary of the date of its issue, in multiples of HK$500,000 at a conversion price of HK$0.128 per convertible share subject to adjustments in certain events. During the year ended 31 December 2014, First Convertible Note noteholders converted all the First Convertible Note into 390,625,000 ordinary shares of HK0.05 each in the Company at the conversion price of HK$0.128 per share.

On 28 October 2014, the Company issued Hong Kong dollar denominate convertible notes with the aggregate principal amount of HK$261,500,000 (the "2014 Convertible Note"). The 2014 Convertible Note entitles the holders to convert them into ordinary shares of the Company at any time after the date of issue of the 2014 Convertible Note and their maturity date on 27 April 2016, being eighteen month from the date of its issue, in multiples of HK$100,000 at a conversion price of HK$0.183 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 27 April 2016 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum will be paid on the maturity date 27 April 2016. During the year ended 31 December 2015, 2014 Convertible Note noteholders converted all of the remaining 2014 Convertible Note into 437,158,469 (2014: 991,803,280) ordinary shares of HK0.05 each in the Company at the conversion price of HK$0.183 per share.

On 8 September 2015, the Company issued Hong Kong dollar denominate convertible notes with the aggregate principal amount of HK$242,960,000 (the "2015 CB 1"). The 2015 CB 1 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2015 CB 1 and their maturity date on 7 March 2017, being eighteen months from the date of its issuance, in multiples of HK$100,000 at a conversion price of HK$0.163 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 7 March 2017 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum will be paid on the maturity date 7 March 2017. During the year ended 31 December 2015, 2015 CB 1 noteholders converted part of the 2015 CB1 into 695,460,108 ordinary shares of HK0.05 each in the Company at the conversion price of HK$0.163 per share.

33. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

On 25 September 2015, the Company issued zero-coupon convertible notes (the "Ping An CB") with a nominal value of approximately HK$100,000,000 as part of the consideration for the acquisition of Grand Ahead and its subsidiaries (the "Grand Ahead Group") from Jayden Wealth Holdings Limited ("Jadyen"). The Ping An CB is denominated in Hong Kong dollars. The Ping An CB entitles the holders to convert them into ordinary shares of the Company on any Business Day during a period commencing from the date of this Note and ending on the Maturity Date (both days inclusive), the whole by trenches of at least one-twentieth of the principal amount of the Note into Shares at any time and from time to time at the Conversion Price of HK$0.2 per convertible share subject to adjustments in certain events. The maturity date of Ping An CB is 24 September 2020.

During the year ended 31 December 2015, no Ping An CB was converted into share by noteholders.

On 20 November 2015, the Company issued Hong Kong dollar denominate convertible notes with the aggregate principal amount of HK$100,100,000 (the "2015 CB 2"). The 2015 CB 2 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2015 CB 2 and their maturity date on 19 May 2017, being eighteen month from the date of its issuance, in multiples of HK$100,000 at a conversion price of HK$0.163 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 19 May 2017 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum will be paid on the maturity date 19 May 2017. During the year ended 31 December 2015, 2015 CB 2 noteholders converted part of the 2015 CB 2 into 106,134,945 ordinary shares of HK0.05 each in the Company at the conversion price of HK$0.163 per share.

At the end of the reporting periods, the 2015 CB 1, 2015 CB 2, Ping An CB and 2014 Convertible Note were valued by the directors of the Company with reference to valuation report issued by Asset Appraisal, an independent professional valuer not connected to the Group.

The principal amounts of 2015 CB 1, 2015 CB 2 and the Ping An CB are divided into straight debt component and embedded conversion option on initial recognition. The debt component are recognised in the consolidated statement of financial position as non-current liability (the holders of 2015 CB 1, 2015 CB 2 and the Ping An CB cannot require the Company to settle the convertible notes before the maturity of the convertible notes). The embedded conversion options are recognised in the consolidated statement of financial position as current liabilities.

At initial recognition, the derivative components of convertible notes is measured at fair value. Any excess of proceed, over the amount initially recognised as the derivative component is recognised as the debts component. Subsequently, the debt components are measured at amortised cost. The effective interest rate of the debt component is 12.42%, 37.3% and 54.99% (2014: 17.66%). Embedded conversion option are measured at fair value with changes in fair value recognised in profit or loss.

33. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

The movements of the debt component and derivatives components of the convertible notes for the year are set out as below:

	Debt component HK$'000	Derivative financial liabilities- Embedded conversion option HK$'000	Derivative financial assets- Early redemption option HK$'000	Total HK$'000
As at 1 January 2014	36,492	18,039	(5,839)	48,692
Issue of convertible notes during the year	212,669	75,926	(34,233)	254,362
Interest charge *(note 10)*	12,830	–	–	12,830
Converted into ordinary shares *(note 41)*	(194,978)	(62,730)	26,023	(231,685)
Loss arising on changes of fair value	–	4,545	1,459	6,004
As at 31 December 2014 and 1 January 2015	67,013	35,780	(12,590)	90,203
Issue of convertible notes during the year	274,080	176,627	–	450,707
Interest charge *(note 10)*	21,546	–	–	21,546
Converted into ordinary shares *(note 41)*	(160,780)	(82,957)	12,572	(231,165)
(Gain) loss arising on changes of fair value	–	(4,409)	18	(4,391)
As at 31 December 2015	201,859	125,041	–	326,900

As at 31 December 2015, the Company had approximately HK$201,859,000 outstanding Convertible Notes. As at 31 December 2015, upon conversion in full of the outstanding 2015 Convertible Notes, the Company will issue 1,803,067,523 ordinary shares of HK0.05 each in the Company at the conversion price of HK$0.163 to 0.20 per share.

The fair values of the derivative financial assets and liabilities are calculated using the binomial model. The inputs into the model were as follows:

	Ping An CB 31 December 2015	2015 CB1	2015 CB2	2014 Convertible Note 31 December 2014
Share price	HK$0.176	HK$0.176	HK$0.176	HK$0.22
Conversion price	HK$0.20	HK$0.163	HK$0.163	HK$0.183
Expected volatility *(note (a))*	59.4%	72.4%	73.43%	63.7%
Expected life *(note (b))*	4.73 years	1.19 years	1.39 years	1.33 years
Risk free rate *(note (c))*	1.014%	0.185%	0.229%	0.273%

33. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price.

(b) Expected life was the expected remaining life of the convertible notes.

(c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

34. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Amortization of intangible assets HK$'000	Total HK$'000
At 1 January 2014	–	379,204	–	379,204
Derecognised on disposal of subsidiaries	–	(65,463)	–	(65,463)
Credited to profit or loss (As restated)	–	(100,976)	–	(100,976)
Exchange adjustments (As restated)	–	(8,501)	–	(8,501)
At 31 December 2014	–	204,264	–	204,264
At 1 January 2015 (As previously reported)	–	199,601	–	199,601
Restatement (Note 5)	–	4,663	–	4,663
At 1 January 2015 (As restated)	–	204,264	–	204,264
Recognition from business combination	(23)	–	60,332	60,309
Credited to profit or loss	–	(41,620)	(754)	(42,374)
Exchange adjustment	–	(9,526)	–	(9,526)
At 31 December 2015	(23)	153,118	59,578	212,673

The deferred tax liabilities for the year ended 31 December 2015 and 2014 are mainly arising from fair value changes on investment properties of the Group. The deferred tax liabilities recognized from business combination for the year ended 31 December 2015 are mainly arising from the recognition of fair value changes on intangible assets.

35. PROMISSORY NOTES

The Group has issued two promissory notes during the year.

On 28 August 2015, the Company issued the promissory notes ("PN[1]") with a principal amount of HK$428,000,000 as part of the consideration for the Group's acquisition of the entire issued share capital of Full Boom. The PN[1] has a maturity of 36 months from the date of issue and bears simple interest at a rate of 5% per annum. The valuation of the PN[1] as at the date of its issue was carried out by Asset Appraisal, a professional independent valuer not connected to the Group, using Hull-white model. The discount rate is derived from risk premium specific to the Company with reference to market sources. The fair value of the PN[1] is recorded as financial liabilities stated at amortised cost in accordance with HKAS 39.

35. PROMISSORY NOTES *(continued)*

On 25 September 2015, the Company issued another promissory notes ("PN²") with a principal amount of HK$400,000,000 as part of the consideration for the Group's acquisition of the entire issued share capital of Grand Ahead. The PN² has a maturity of 36 months from the date of issue and bear simple interest at a rate of 2% per annum. The valuation of the PN² as at the date of its issue was carried out by Asset Appraisal, a professional independent valuer not connected to the Group, using the discounted cash flow approach by applying an appropriate discount rate on the estimated future cash outflows on repayment of the PN². The discount rate is derived from market risk-free rate and risk premium specific to the Company with reference to market sources. The fair value of the PN² is recorded as financial liabilities stated at amortised cost in accordance with HKAS 39.

Movements of the PN¹ and PN² are set out as follows

	2015 **HK$'000**	2014 HK$'000
At at 1 January	**–**	–
Fair value of PN¹ at the date of issue (28 August 2015)	**331,307**	–
Fair value of PN² at the date of issue (25 September 2015)	**285,525**	–
Interest expenses	**26,574**	–
Interest payable	**(7,387)**	–
As at 31 December	**636,019**	–

36. PROVISION FOR CONTINGENT CONSIDERATION

In connection with the acquisition of net assets through an acquisition of the Acquired Group as explained in note 33, provision for contingent consideration represented the acquisition-date fair value of contingent consideration for the convertible notes (the "Second Convertible Note"), which will be issued by the Company after certain conditions fulfilled as specified in the acquisition agreement signed on 27 February 2011 for the Acquired Group (the "Acquisition Agreement") and the supplemental agreement signed on 19 May 2011 (the "Supplemental Agreement"), as part of the consideration transferred in exchange for the Acquired Group.

The provision for contingent consideration is classified as a financial liability as it is resulted from a contract that will or may be settled in the Company's own equity instruments and is a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. The amount will then be measured at fair value with changes in fair value recognised in profit or loss.

As at 31 December 2015 and 31 December 2014, the provision for contingent consideration was valued by the directors of the Company with reference to valuation report issued by Asset Appraisal, a professional independent valuer not connected to the Group.

The issuance of the Second Convertible Note is subject to the following condition:

36. PROVISION FOR CONTINGENT CONSIDERATION *(continued)*

Second Convertible Note with its full face value of HK$150,350,000 will be issued after completion of the redevelopment mainly for the extension and renovation work in respect of B2/F to 7/F of the Chongqing Property acquired on an acquisition of the Acquired Group, with an additional gross floor area of 10,773.43 square meters as approved by the relevant PRC regulatory authority (the "Extension Work"), full payment of the land premium in respect of the Extension Work and there is no legal impediment for the Acquired Group to obtain all valid real estate ownership certificates under the applicable laws, rules and regulations. On 19 May 2011, the Group, Profit China and Mr. Liang entered into the Supplemental Agreement, pursuant to which, Profit China and Mr. Liang had agreed and undertaken to pay the excess of the actual land premium ("Land Premium Excess") in respect of the Extension Work over the amount of RMB7,110,463.80 and should Profit China and Mr. Liang fail to pay the Land Premium Excess or any part thereof in accordance with the terms of the Supplemental Agreement, the Group would be entitled to pay the same on their behalf and deduct an amount equivalent to such Land Premium Excess or any part thereof paid by the Group from the part of the consideration to be satisfied by way of issue of the Second Convertible Note.

	2015 **HK$'000**	2014 HK$'000
As at 1 January	**259,917**	144,564
Changes in fair value	**(57,265)**	115,353
As at 31 December	**202,652**	259,917

The fair values of the provision for contingent consideration are calculated using the binomial model. The inputs into the model were as follows:

	2015	2014
Share price	**HK$0.176**	HK$0.220
Conversion price	**HK$0.128**	HK$0.128
Expected volatility *(note (a))*	**61.59%**	57.18%
Expected life *(note (b))*	**6 years**	5.75 years
Risk free rate *(note (c))*	**1.1768%**	1.541%

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price.

(b) Expected life was the expected remaining life of the Second Convertible Note.

(c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

The directors of the Company consider that the Second Convertible Note will be issued on 31 December 2016 based on the best estimation of the management of the Company on the current status of conditions for issuing those convertible notes.

37. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group and an independent third party (see note 31):

	2015 **HK$'000**	2014 HK$'000
Leasehold land and buildings *(note 17)*	**27,450**	28,340
Investment properties *(note 18)*	**1,750,000**	2,090,000
Bank balances *(note 29)*	**23,613**	157,731
	1,801,063	2,276,071

In addition, the Group has pledged its entire equity interest in its wholly-owned subsidiary, New China IQ Limited, to secure banking facilities of HK$21,500,000 (2014: HK$21,500,000) granted to the Group for the year ended 31 December 2015.

38. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

Pursuant to the Acquisition Agreement and the Supplemental Agreement, the Group, through Wealth Billows Limited, a directly wholly-owned subsidiary of the Company acquired the entire interest in Full Boom Global Limited ("Full Boom") from Mr. Liang (the "Acquisition"). Full Boom holds the entire interest of Soar Success Limited and its subsidiaries, 佛山市盛明投資咨詢有限公司("盛明投資") and 佛山盛明置業有限公司("盛明置業") (Full Boom, Soar Success Limited, 盛明投資 and 盛明置業 collectively referred to as the "Full Boom Group") at the completion date of the Acquisition. 盛明置業 mainly holds a piece of Land located in Xiqiao Town, Foshan City, Guangdong Province in the PRC (an investment properties under development as set out in note 19) and other assets and liabilities. The completion date of the acquisition was 28 August 2015. The Group has acquired the net assets, mainly the investment properties under development for a consideration of approximately HK$438,307,000, which was satisfied by the following:

(i) Cash in the sum of HK$107 million is paid in cheque by the Company to the Vendor upon signing of the Acquisition Agreement; and

(ii) Issue of HK$428 million promissory note (fair value: HK$331,307,000) to the Vendor upon Completion

The directors of the Company are of the opinion that the acquisition of the Full Boom Group is in substance an acquisition of net assets, instead of an acquisition of business, as the net assets included in the Full Boom Group were mainly investment properties under development located in Foshan without operation.

38. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY *(continued)*

For details, please refer to the announcement of the Company dated 13 November 2014, 4 December 2014, 18 December 2014, 12 January 2015, 30 January 2015, 17 February 2015, 9 March 2015 and 28 August 2015. The effect of the acquisition is summarised as follows:

	2015 HK$'000
Property, plant and equipment	640
Investment properties under development	445,798
Trade and other receivables	8
Bank balances and cash	1,004
Other payables	(9,143)
	438,307
Satisfied by:	
Deposit paid	107,000
Promissory notes	331,307
	438,307
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	1,004

39. BUSINESS COMBINATION

During the year ended 31 December 2015, the Group entered into a sale and purchase agreement and a supplemental agreement with Jayden Wealth Holdings Limited (the "Jadyen") in relation to the acquisition of the entire share capital of Grand Ahead and its subsidiary, Ping An. Ping An is principally engaged in securities dealing and financial services in Hong Kong. The completion date of the acquisition was 25 September 2015.

The acquisition is expected to enhance the Group's investment portfolio. Ping An is one of the well-established securities brokerage and financial advisory houses in Hong Kong providing a wide range of financial services which include the provision of securities brokerage, securities underwriting and placements and financial advisory services. It also expects that the Group's strategic move towards diversification of business will achieve stable return on investment for the shareholders.

The consideration was satisfied by (i) issuance of 3,500,000,000 consideration shares; (ii) issuance of Promissory note in principal sum of HK$400,000,000 ("Ping An PN") and (iii) issuance of convertible note in principal sum of HK$100,000,000 ("Ping An CB") on the completion date of acquisition.

The Ping An PN carries interest charged at 2% per annum and its fair value at acquisition was approximately HK$285.5 million which was calculated by discounting the estimated contractual cash flow over the remaining contractual term at the discount rate of approximately 14.1%. The Ping An CB bears no interest. The fair value of the Ping An CB at acquisition date was approximately HK$107.6 million which was calculated by Binomial Option Pricing Model.

39. BUSINESS COMBINATION *(continued)*

Valuation for both of the Ping An PN and Ping An CB was performed by Asset Appraisal, an independent qualified professional valuer which is independent to the Group.

Further details of the acquisition are set out in the Company's announcement dated 10 March 2015, 31 March 2015, 30 April 2015, 15 May 2015, 22 May 2015, 15 June 2015, 9 September 2015, 18 September 2015 and 25 September 2015.

Assets acquired and liabilities recognised at the date of acquisition:

	Fair value HK$'000
Property, plant and equipment	1,275
Intangible assets	365,646
Other deposits	273
Trade and other receivables	14,597
Financial assets at fair value through profit or loss	113
Bank balances and cash – trust accounts	211,882
Bank balances and cash – general accounts	16,946
Trade and other payables	(223,474)
Tax liabilities	(11,606)
Deferred tax liabilities	(60,309)
Net assets acquired	315,343

The goodwill arising on acquisition:

	HK$'000
Fair value of net assets acquired shown as above	315,343
Less: Purchase consideration	
Fair value of consideration shares	(647,500)
Fair value of promissory note	(285,525)
Fair value of convertible notes	(107,648)
Goodwill	(725,330)
Bank balances and cash in a subsidiary acquired	16,946
Net Cash inflow arising from acquisition:	
Bank balances and cash acquired	16,946

As a result of the acquisition, the Group is expected to increase its sources of income for the group in future. The goodwill of approximately HK$725,330,000 arising from the acquisition is attributable to economies of scale expected from combining the operations of the Group and Ping An. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition costs of approximately HK$2,467,000 have been charged to administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

39. BUSINESS COMBINATION *(continued)*

The fair value and the gross contractual amount of trade and other receivables at the date of acquisition amounted to approximately HK$14,597,000 and it is not expected to be uncollectible.

The revenue included in the consolidated statement of profit or loss and other comprehensive income since 25 September 2015 contributed by Ping An was approximately HK$17,173,000. The profit of approximately HK$4,766,000 was incurred for the same period.

Had this business combination been effected at 1 January 2015, the revenue of the Group would have been approximately HK$97,130,000, and the profit for the year would have been approximately HK$59,264,000.

40. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2014, the Company had the following significant disposals of subsidiaries:

	Notes	HK$'000
Loss on disposal of Dynamic Progress Group	(a)	(33,370)
Gain on disposal of Liberal Supply Group	(b)	14,998
Losses on disposal of subsidiaries, net		(18,372)

Notes:

(a) Disposal of Dynamic Progress Development Limited ("Dynamic Progress")

Pursuant to the Company's announcement on 17 September 2013, at the same date, the Company and Precious Sky Limited ("Precious Sky"), an independent third party, entered into a conditional sale and purchase agreement (the "Dynamic Progress Disposal Agreement") and pursuant to which, Precious Sky conditionally agreed to purchase from the Company, and the Company conditionally agreed to sell to Precious Sky, the entire issued share capital of Dynamic Progress, together with the net amount due from Dynamic Progress and its subsidiaries (the "Dynamic Progress Group") to the Company at a consideration of RMB150,000,000, subject to adjustment (the "Dynamic Progress Disposal"). Dynamic Progress, a former wholly-owned subsidiary of the Company is a private limited liability company incorporated in Hong Kong. The principal asset of the Dynamic Progress Group is a property located in the PRC. Pursuant to the Dynamic Progress Disposal Agreement, the consideration of RMB150,000,000 will be satisfied by Precious Sky as to:

(i) RMB30,000,000 as the first payment ("First Payment") in cash payable upon signing of the Dynamic Progress Disposal Agreement;

(ii) RMB50,000,000 as the second payment ("Second Payment") in cash payable by 10 December 2013; and

(iii) RMB70,000,000, subject to adjustment, as the third payment ("Third Payment") in cash payable on or before 28 February 2014.

The directors of the Company consider that upon completion of the Dynamic Progress Disposal, the proceeds from the Dynamic Progress Disposal could enhance the Group's financial position by providing additional capital resources for the Group to improve its liquidity and the Group can better utilise its resources to the Group's existing projects.

40. DISPOSAL OF SUBSIDIARIES *(continued)*

(a) *(continued)*

During the year ended 31 December 2013, the Company received the First Payment and the Second Payment of RMB80,000,000 (equivalent to HK$101,000,000) which was included as the Group's other payable in the Company's consolidated statement of financial position as at 31 December 2013.

The Dynamic Progress Disposal was completed on 28 February 2014 and the consideration was adjusted to RMB146,800,000 (equivalent to HK$186,665,000).

Details of the above are set out in the Company's announcements dated 17 September 2013, 9 October 2013 and 28 February 2014 and the Company's circular dated 25 October 2013.

Consideration received	**HK$'000**
Consideration in respect of the First Payment and Second Payment received in cash and cash equivalents during the year ended 31 December 2013	101,000
Consideration in respect of the Third Payment received in cash and cash equivalents during the year ended 31 December 2014	85,665
Total consideration received	186,665

Analysis of assets and liabilities over which control was lost	**HK$'000**
Property, plant and equipment *(Note 17)*	111
Investment properties *(Note 18)*	436,868
Trade and other receivables	1,568
Bank balances and cash	167
Other payables	(18,217)
Borrowings	(116,161)
Deferred tax liabilities	(65,463)
Net assets disposed of	238,873

Loss on disposal of subsidiaries	**HK$'000**
Consideration received	186,665
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss in respect of loss of control of Dynamic Progress Group	31,968
Net assets disposed of	(238,873)
PRC tax provision in respect of the disposal	(13,130)
Loss on disposal of Dynamic Progress Group	(33,370)

40. DISPOSAL OF SUBSIDIARIES *(continued)*

(a) *(continued)*

Net cash inflow on disposal of subsidiaries	**HK$'000**
Consideration received in cash and cash equivalents during the year ended 31 December 2014	85,665
Less: Bank balances and cash disposed of	(167)
Net cash inflow on disposal of Dynamic Progress Group	85,498

(b) Disposal of Liberal Supply Limited ("Liberal Supply")

On 31 October 2014, the Company and Archangel Pearl Limited ("Archangel Pearl"), an independent third party, entered into a conditional sale and purchase agreement and pursuant to which, Archangel Pearl conditionally agreed to purchase from the Company, and the Company conditionally agreed to sell to Archangel Pearl, the entire issued share capital of Liberal Supply, together with the net amount due from Liberal Supply and its subsidiaries (the "Liberal Supply Group") to the Company at a consideration of HK$15,000,000 (the "Liberal Supply Disposal"). Liberal Supply, a former wholly-owned subsidiary of the Company is a private limited liability company incorporated in the BVI. The principal asset of the Liberal Supply Group is land use rights and certain property, plant and equipment located in the PRC which was fully impaired and written off in prior years. The Liberal Supply Disposal was completed on 21 November 2014.

Consideration received	**HK$'000**
Total consideration received in cash and cash equivalents	15,000

Analysis of assets and liabilities over which control was lost	**HK$'000**
Prepayment	2
Prepaid lease payments *(note below)*	–
Property, plant and equipment *(note 17)*	–
Net assets disposed of	2

Gain on disposal of the subsidiaries:	**HK$'000**
Consideration received	15,000
Net assets disposed of	(2)
Gain on disposal of Liberal Supply Group	14,998

Net cash inflow on disposal of subsidiaries:	**HK$'000**
Cash consideration received in cash and cash equivalents and net cash inflow on disposal of Liberal Supply Group	15,000

Note: The prepaid lease payments in respect of the Liberal Supply Group were fully impaired and written off in prior years.

41. SHARE CAPITAL

	2015 No. of share	2015 Per Share HK$	2015 Amount HK$'000	2014 No. of share	2014 Per Share HK$	2014 Amount HK$'000
Authorised						
Ordinary shares of HK$0.05 each	60,000,000,000	0.05	3,000,000	60,000,000,000	0.05	3,000,000
Issued and fully paid						
At 1 January	13,225,075,670	0.05	661,253	11,842,647,390	0.05	592,132
Issue of share by placement (note a)	613,400,000	0.05	30,670	–	–	–
Issue of consideration shares (note b)	3,500,000,000	0.05	175,000	–	–	–
Issue of new shares on conversion of convertible notes (note c)	1,238,753,523	0.05	61,938	1,382,428,280	0.05	69,121
Repurchase of shares	(17,760,000)	0.05	(888)	–	–	–
At 31 December	18,559,469,193	0.05	927,973	13,225,075,670	0.05	661,253

During the years ended 31 December 2014 and 31 December 2015, the movements of the authorised and issued share capital of the Company are as following:

(a) Pursuant to a subscription agreement dated 8 September 2015, 613,400,000 new shares of the Company were issued at the subscription price of HK$0.163 per subscription share. Details of the issue of the shares are set out in the Company's announcement dated 8 September 2015.

(b) As explained in note 39, during the year ended 31 December 2015, the Company issued 3,500,000,000 shares of HK$0.05 each in the Company at the price of HK$0.185 per share for a total consideration of HK$647,500,000 as part of the consideration in respect of the acquisition of Grand Ahead.

(c) As disclosed in note 33, total number of ordinary shares of 1,238,753,523 (2014: 1,382,428,280) with nominal value of approximately HK$61,938,000 (2014: HK$69,121,000) were issued upon the conversion of the First Convertible Note amounting for HK$Nil (2014: HK$47,991,000), the 2014 Convertible Note amounting to approximately HK$91,450,000 (2014: HK$183,694,000), 2015 CB 1 amounting to approximately HK$121,534,000 (2014: Nil) and 2015 CB 2 amounting to approximately HK$18,181,000 (2014: Nil) during the year ended 31 December 2015.

The new shares rank pari passu in all respects with the existing shares.

Purchase of own shares

During the year ended 31 December 2015, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Purchase price Highest HK$	Purchase price Lowest HK$	Aggregate price paid $'000
July 2015	17,760,000	0.157	0.137	2,722

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HK$2,722,000 was paid. The premium of approximately HK$1,834,000 on the repurchase of such shares was charged to the share premium account.

42. RELATED PARTY TRANSACTIONS

(a) Except as disclosed in the consolidated financial statements elsewhere, during the years ended 31 December 2015 and 2014, the Group entered into the following transactions with its related parties:

(i) As at 31 December 2015, Mr. Liang provided a personal guarantee to the bank for the repayment of the bank loan of HK$1,136,450,000 (2014: HK$488,974,000).

(ii) Pursuant to a tenancy agreement entered by New China IQ Limited ("New China"), a wholly owned subsidiary of the Group, and Mai Shunxing (the mother of Nijssen Victoria, a director of the Company) on 11 March 2014, New China agreed to rent a property owned by Mai Shunxing at a monthly rent of HK$50,000 for the period from 1 January 2014 to 31 December 2015. During the year ended 31 December 2015, total rent of HK$600,000 were paid to Mai Shunxing (2014: HK$600,000).

(b) Compensation of directors of the Company and key management personnel of the Company: Remuneration for key management personnel including amounts paid to the Company's directors as disclosed in note 13 and the highest paid employees as disclosed in note 14 is as follows:

	2015 **HK$'000**	2014 HK$'000
Salaries and other short-term employee benefits	**4,936**	4,461
Retirement benefit scheme contributions	**36**	33
	4,972	4,494

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

43. MAJOR NON-CASH TRANSACTIONS

Major non-cash transactions for the year are as follows:

On 28 August 2015, the Company completed the acquisition of net assets of the Full Boom Group with consideration of approximately HK$438,307,000, of which approximately HK$331,307,000 was settled by issuing promissory note in principal sum of HK$428,000,000.

On 25 September 2015, the Company completed the acquisition of Grand Ahead Group with consideration of approximately HK$1,040,673,000, of which approximately HK$647,500,000 was settled by issuing 3,500,000,000 consideration shares of the company of HK$0.185 each and of approximately HK$285,525,000 was settled by issuing promissory note in principal sum of HK$400,000,000 and of approximately HK$107,648,000 by issuing the convertible note in principal sum of HK$100,000,000.

44. COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

The Group as lessor

The Group leases its investment properties and has the right to receive royalty fee under operating lease arrangements, with committed tenants and operator for the next one to nineteen years (2014: one to twenty years). The terms of the leases also require the tenants and operator to pay security deposits.

As the operator has financial difficulties during the year and fail to pay royalty fee to the Group, therefore, the management of the Group considers that no income should be recognised in respect of the royalty fee income and to sell out the intangible asset (see note 49). Therefore, the following table of the lease commitments did not include the right to receive royalty fee portion for the year ended 31 December 2015.

As at 31 December 2015 and 2014, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2015	2014
	HK$'000	HK$'000 (Restated)
Within one year	**20,334**	27,718
In the second to fifth year	**84,606**	116,927
Over five years	**45,114**	107,624
	150,054	252,269

The leases of an investment properties are expected to generate rental yields of approximately 1.21% (2014: 0.80% to 21.13%) on an ongoing basis.

The Group as lessee

At 31 December 2015 and 2014, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**1,423**	600
In the second to fifth year	**1,525**	–
	2,948	600

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average of 2 to 3 years (2014: 1 year) and rentals are fixed for average of 2 to 3 years (2014: 1 year).

(b) CAPITAL COMMITMENTS

	2015	2014
	HK$'000	HK$'000
Contracted but not provided for	**764,978**	428,000

45. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (until 31 May 2014) or HK$30,000 (from 1 June 2014 onwards), contributions to the MPF Scheme vest immediately. Contributions paid or payable to the MPF scheme are charged to the statement of profit or loss.

The employees of the Group's subsidiaries in the PRC are members of a state-sponsored retirement plan organised by the municipal government under the regulations of the PRC and these subsidiaries make mandatory contributions to the state-sponsored retirement plan to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiaries are based on a percentage of the eligible employees' salaries and are charged to the statement of profit or loss as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan organised by the municipal government in the PRC.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2015 in respect of the retirement of its employees.

The total cost charged to the consolidated statement of profit or loss of approximately HK$1,735,000 (2014: HK$1,272,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

46. PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ principle place of business	Particular of issued and fully paid capital/ registered capital	Proportion ownership interest and voting power held by the Company indirectly 2015	2014	Principal activities
New China IQ Limited	Hong Kong	HK$2 (ordinary share)	**100%**	100%	Investment holding
Seekerland Investments Limited	Hong Kong	HK$2 (ordinary share)	**100%**	100%	Investment holding
珠海市百力行酒店管理有限公司	PRC	RMB1,000,000 (paid-up registered capital)	**100%**	100%	Operating right leasing
Kings Mall Management	PRC	RMB340,000,000 (paid-up registered capital)	**100%**	100%	Property development, property trading and leasing of properties
Ping An Securities Limited	Hong Kong	HK$50,000,000 (ordinary share)	**100%**	–	Securities dealing and financial services
佛山市盛明投資諮詢有限公司	PRC	HK$17,500,000 (paid-up registered capital)	**100%**	–	Property investment
重慶盛明滙名品百貨有限公司	PRC	RMB10,000,000	**100%**	–	Operating of supermarket

47. CONTINGENT LIABILITIES

As explained in note 18, during the period from 1 January 2004 to 31 December 2006, certain units and shops of the investment properties located in Chongqing had been sold to the independent third parties under the SP Agreements. The leasing agency contracts and the mortgage contracts were signed together with SP Agreements among the Buyers, Kings Mall Management and Xin Jia Jun. Pursuant to the terms of the leasing agency contracts, Xin Jia Jun would pay the Buyers the Guaranteed Rent equivalent to ten percent of the purchase price of the properties over twenty years.

Based on the legal advice from the legal adviser of the Group, the directors of the Company considered that they have strong and valid ground of defense in relation to the probable litigations, if any, in respect of the Problematic Properties and the directors of the Company considered that Kings Mall Management would not suffer material financial losses arising from such probable litigation, if any, and has the right to occupy and lease the Problematic Properties to tenants to generate rental income.

On 27 February 2011, pursuant to a deed of indemnity being executed by Profit China and Mr. Liang in favour of the Group at the date of acquisition completion, Profit China and Mr. Liang will indemnify the Group against all costs that the Group may suffer in relation to the investment properties acquired on the acquisition of the Acquired Group and any disputes and litigation (whether commencing before or after the acquisition completion) against the Group arising or accruing in relation to the operation of the Acquired Group on or before the date of acquisition completion (the "Indemnified Liabilities").

In addition, on 19 May 2011, Zhu Hai Port Plaza Development Company Limited entered into an undertaking to pay the aforesaid Indemnified Liabilities to the extent that such losses, liabilities and expenses have not been settled by Mr. Liang pursuant to his obligations under the indemnity agreement executed by him in favour of Kings Mall Management that Kings Mall Management may suffer.

In view of the above, the directors of the Company consider that the probable litigations, if any, would not have any significant financial impacts on the financial positions of the Company.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2015 HK$'000	2014 HK$'000
Non-current asset			
Interests in subsidiaries	(a)	**3,179,917**	2,180,110
Current assets			
Prepayment, deposit and other receivables		**7,260**	114,349
Derivative financial assets *(note 33)*		**–**	12,590
Bank balances and cash		**69,429**	54,126
		76,689	181,065
Current liabilities			
Accruals and other payables		**30,994**	22,864
Amounts due to subsidiaries	(b)	**429,181**	429,191
Amount due to a joint venture		**49,475**	49,476
Derivative financial liabilities *(note 33)*		**125,041**	35,780
		634,691	537,311
Net current liabilities		**(558,002)**	(356,246)
Total assets less current liabilities		**2,621,915**	1,823,864
Capital and reserves			
Share capital		**927,973**	661,253
Reserves	(c)	**577,037**	760,962
Total equity		**1,505,010**	1,422,215
Non-current liabilities			
Borrowings		**76,375**	74,719
Convertible notes *(note 33)*		**201,859**	67,013
Promissory note		**636,019**	–
Provision for contingent consideration *(note 36)*		**202,652**	259,917
		1,116,905	401,649
		2,621,915	1,823,864

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) INTERESTS IN SUBSIDIARIES

	The Company 2015 HK$'000	2014 HK$'000
Unlisted shares at cost	**1,066,435**	25,762
Amounts due from subsidiaries	**3,176,620**	2,337,460
	4,243,055	2,363,222
Less: Impairments	**(1,063,138)**	(183,112)
	3,179,917	2,180,110

Amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment schedule.

(b) AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

(c) RESERVES

	Share premium HK$'000	Contributed surplus reserve HK$'000 *(note)*	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	921,801	115,419	52	(328,435)	708,837
Total loss and comprehensive expense for the year	–	–	–	(110,439)	(110,439)
Converted convertible notes into shares	162,564	–	–	–	162,564
At 31 December 2014 and 1 January 2015	1,084,365	115,419	52	(438,874)	760,962
Total loss and comprehensive expense for the year	–	–	–	(892,632)	(892,632)
Issue of shares	541,814	–	–	–	541,814
Share issuance costs	(500)	–	–	–	(500)
Repurchase of shares	(1,834)	–	–	–	(1,834)
Converted convertible notes into shares	169,227	–	–	–	169,227
At 31 December 2015	1,793,072	115,419	52	(1,331,506)	577,037

Note: The contributed surplus arose in 1989 as a result of the Group's reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiaries. According to the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances. The Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

49. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 29 February 2016, the subsidiary of the Group has signed a letter of intent with an independent third party in relation to the disposal of the intangible assets for the right to receive royalty fee at consideration of RMB28,000,000.

The summarised consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, are as set out below:

	2015 HK$'000	2014 HK$'000 (Restated)	2013 HK$'000	2012 HK$'000	2011 HK$'000
RESULTS					
Revenue	**50,465**	33,107	31,881	26,702	27,310
(Loss) profit attributable to owners of the Company	**(232,007)**	(573,620)	(304,086)	16,925	49,824
ASSETS AND LIABILITIES					
Total assets	**4,728,286**	2,945,096	3,214,469	3,276,912	3,116,706
Total liabilities	**(3,109,005)**	(1,992,498)	(1,864,543)	(1,800,018)	(1,999,149)
Non-controlling interests	**–**	–	–	–	(4,739)
Equity attributable to owners of the Company	**1,619,281**	952,598	1,349,926	1,476,894	1,112,818

SCHEDULE OF INVESTMENT PROPERTIES

Description	Use	Area	Percentage of attributable interest
Various portions on level B2 to L7 of Kings Mall No. 8 Nanping North Road, Nanping Jie Dao, Nanan District, Chongqing, The People's Republic of China	Commercial	Gross area – approximately 114,772 sq. metre	100
Lot No. 0414191933, South side of the lot, Qiao Gao Road, Xiqiao Town, Nanhai District, Foshan, Guangdong, The People's Republic of China	Commercial	Gross area – approximately 86,938 sq. metre	100