South China Holdings Company Limited
南華集團控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code : 00413

ANNUAL REPORT 2015

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Ng Yuk Mui Jessica
Mr. David Michael Norman

Independent Non-executive Directors

Mr. Chiu Sin Chun
Sr Dr. Leung Tony Ka Tung
Ms. Li Yuen Yu Alice
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Yip Dicky Peter, J.P.

AUDIT COMMITTEE

Ms. Li Yuen Yu Alice (*Committee Chairman*)
Mr. Chiu Sin Chun
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Yip Dicky Peter, J.P.
Mr. David Michael Norman

REMUNERATION & NOMINATION COMMITTEE

Mrs. Tse Wong Siu Yin Elizabeth
(*Committee Chairman*)
Mr. Chiu Sin Chun
Ms. Li Yuen Yu Alice
Mr. Yip Dicky Peter, J.P.
Mr. David Michael Norman

AUDITOR

KPMG
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Chong Hing Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited
China CITIC Bank International Limited
AFC Merchant Bank

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

STOCK CODE

00413

WEBSITE OF THE COMPANY

http://www.scchina.co

Chairman's Statement and Management Discussion and Analysis

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

FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded revenue of HK$3.4 billion (2014: HK$3.2 billion) and profit for the year of HK$151.7 million (2014 (restated): HK$180.5 million), both being the financial key performance indicators, for the year ended 31 December 2015, representing an increase of 7.8% and a decrease of 16.0%, respectively, from the corresponding amounts reported in 2014. Earnings per share attributable to equity holders of the Company for the year was HK2.7 cents (2014 (restated): HK3.2 cents).

DIVIDENDS

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

BUSINESS REVIEW

The principal businesses of the Group include trading and manufacturing, property investment and development and agriculture and forestry.

Trading and Manufacturing

The trading and manufacturing segment mainly comprises (i) OEM manufacturing of toys products, (ii) trading of footwear products and (iii) OEM manufacturing of footwear products. The segment recorded a 6.4% increase in revenue to HK$3.2 billion (2014: HK$3.0 billion) and a 133.7% increase in operating profit to HK$92.5 million (2014: HK$39.6 million) for the year ended 31 December 2015.

(i) *OEM toys manufacturing*

Despite a tepid 2.1% increase in US retail sales in 2015, the US toy industry experienced a 6.5% year on year increase due to pent up demand from previous years. This growth was strongly driven by a 14% increase in the Youth Electronic category which is a traditional area of strength of the Group. Riding on the favourable environment, the OEM toys operations achieved a record-breaking revenue of HK$2.8 billion, a 11% increase in revenue. The increase in revenue and over performance compared with the industry average was mainly attributable to the increase in sales from new successful models of existing customers. Three of our customer's products received "Toy of the Year 2016" recognition in different categories from the Toys Industry Association.

Despite the large increase in production, the Group managed to provide high quality on time delivery of products to our customers throughout the year and this is mainly attributable to the professionalism of our R&D and engineering department in providing continuous modifications and technological solutions.

Management placed a renewed focus on driving down wastage in the manufacturing process and cost control with an increased investment into R&D to provide the most efficient and low cost one stop solution for our clients especially within the field of high-tech toys.

(ii) *Trading of footwear products*

During the year ended 31 December 2015, revenue from the footwear trading operations decreased by 17.8% to HK$313.3 million. The decrease in revenue was mainly attributable to decrease in sales volume from customers. Despite a drop in sale volume, the gross margin percentage increased as a result of changes in supplier mix. Overall profit from operations remained stable as compared to that of 2014.

On 29 February 2016, the Company announced that it had submitted to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a proposal of the proposed spin-off and separate listing of the Group's footwear trading business on the Growth Enterprise Market of the Stock Exchange (the "Proposed Spin-off") and the submission is under consideration by the Stock Exchange. The Company will make further announcement(s) in relation to any update on the proposal.

(iii) *OEM manufacturing of footwear products*

The Group has a factory for the manufacturing of OEM footwear products in Tianjin in which the Group owns an 80% interest. As the factory recorded losses in the past few years, the Group has decided to suspend its operation in September 2015. The Group is currently undergoing a feasibility study. The factory's production plan is still under consideration and is not yet finalised.

Property Investment and Development

During the year ended 31 December 2015, the revenue of the property investment and development segment increased by 39.8% to HK$180.2 million. The operating profit increased by 74.6% to HK$456.3 million in the current year was mainly attributable to the combined effect of (a) the increase in rental income by HK$51.2 million, (b) the increase in fair value gain on investment properties by HK$256.7 million, and (c) offset by a decrease in interest income generated from a loan receivable by HK$99.2 million as detailed in note 29 to the Group's financial information.

The increase in rental income in the current year was mainly attributable to the full-year effect on the rental contribution from the units at The Centrium in Central, which were transferred to the Group upon the distribution of the property in specie by an associated company in September 2014 and also from the rental contribution from the Avenue of Stars, the shopping mall in Shenyang after the completion of major renovation work last year. The property has successfully become a fur themed shopping mall with most major fur brands having opened flagship duplex stores. It is envisioned that with further promotion and marketing that the Avenue of Stars may become the fur mall of Northern China. Our rental portfolios in Nanjing and Tianjin also reported an increase in rental income. The growth came primarily from the commercialisation of our Tianjin industrial property, while our Nanjing portfolio suffered a slowdown in year-on-year growth.

In addition to our existing rental portfolios in Nanjing, Shenyang and Tianjin, we extended upstream due to our first foray into property development on the mainland. By virtue of an acquisition procedure that started in 2014, and its subsequent completion in October 2015, we have the privilege to take part in the management of a large project in Shenyang that has already been in development for the past few years (Shenyany Dadong project). The project involves a total GFA of around 560,000 square metres and is a mixed use project located on the very eastern part of the pedestrian street known as Zhongjie (中街), in close proximity with the Avenue of Stars. In addition to property under development, the acquisition also included a 250,000 square metres land bank in Tianjin.

The overall fair value gain on investment properties and investment properties held for sale (excluding the effect of the fair value gain on the units at The Centrium before the distribution amounted to HK$154.2 million which was included in share of profits and losses of associates in last year) increased by HK$256.7 million to HK$390.1 million.

Agriculture and Forestry

As stated in note 2.2 to the Group's financial information, during the year ended 31 December 2015, the Group early adopted the Amendments to HKAS 16 and HKAS 41 where bearer plants, being living plants which are used in the production or supply of agricultural produce, and which have a remote likelihood of being sold as agricultural produce (except for incremental scrap sales), are now in the scope of HKAS 16 *Property, plant and equipment* instead of HKAS 41 *Agriculture*. As a result, the Group has changed the accounting policy for bearer plants, which are now measured at cost less accumulated depreciation and impairment losses. The produce growing on bearer plants continue to be accounted for under HKAS 41 and are measured at fair value less costs to sell.

The financial effect on the early adoption of the above amendments to the accounting standards resulted in a decrease in biological assets – bearer plants by HK$9.2 million as at 31 December 2014, and a decrease in profit for the year by HK$9.1 million and exchange differences on translation by HK$0.1 million for the year ended 31 December 2014.

Revenue from the agriculture and forestry segment increased by 10.5% to HK$17.6 million in 2015 as compared with the corresponding period in 2014. Operating loss decreased by HK$23.9 million from HK$96.6 million as restated in 2014 to HK$72.7 million in 2015.

In 2014, the Group recorded HK$8.3 million in loss on disposal of biological assets – bearer plants (after restatement) due to surrender of land upon land expropriation by the local governments in Xian and Shenyang and HK$7.5 million in write-off of biological assets – bearer plants (after restatement) due to losses identified in physical count at Hebei area. In the current year, there was no land surrender to the local governments and no material disposal of bearer plants. Although a drought in Hebei area led to a decrease in tree quantity of various species, the tree value was immaterial and no write-off of bearer plants was recorded in 2015.

Apart from the above, the reduction in administrative expense, which was mainly due to cost saving measures, improved the operating loss by HK$7.6 million.

The bearer plants balance decreased by 8.6% from HK$98.5 million as restated in 2014 to HK$90.0 million in 2015. In terms of Renminbi, the functional currency of the relevant subsidiaries, the bearer plants balance decreased by about 4.4%, as a result of the depreciation of Renminbi during the year. The decrease in bearer plants balance was primarily due to HK$4.8 million depreciation provided during the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had a current ratio of 1.4 and a gearing ratio of 30.1% (31 December 2014: 1.0 and 26.1%, respectively). The gearing ratio is computed by dividing the Group's total long-term bank borrowings of HK$1.7 billion by the Group's equity of HK$5.8 billion. The Group's operation and investments continued to be financed by internal resources and bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group operates in Hong Kong and Mainland China, and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Renminbi and United States dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The Group has entered into certain foreign exchange forward contracts to mitigate the exchange rate risk.

CAPITAL STRUCTURE

Except for the sub-division of shares, the increase in authorised ordinary shares and redeemable convertible preference shares and the issuance of the redeemable convertible preference shares as detailed in note 39 to financial statements, there was no material change in the Group's capital structure as compare to the 2014 annual report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of an subsidiary or associated company save for the following:

On 16 June 2015, Perennial Success Limited (“Purchaser A”) and Profit Runner Investments Limited (“Purchaser B”), each an indirect wholly-owned subsidiary of the Company, entered into a Sale Shares Agreement and a Sale Debts Agreement (the “Agreements”) with Crystal Hub Limited (the “Vendor”), a direct wholly-owned subsidiary of South China Assets Holdings Limited (formerly known as South China Land Limited, “SCAH”), pursuant to which, among other terms, the Vendor conditionally agreed to dispose of and Purchaser A and Purchaser B conditionally agreed to acquire 100% of the issued share capital of Elite Empire Investments Limited (“Sale Share A”), 100% of the issued share capital of Bigwin Investments Limited (“Sale Share B”), and the total outstanding balances of all the loans made by the Vendor to Elite Empire Investments Limited and its subsidiaries (“Elite Empire Group”) and Bigwin Investments Limited and its subsidiaries (“Bigwin Group”), immediately before the completion (respectively referred to “Sale Debt A” and “Sale Debt B”) at the consideration of approximately HK$885.7 million and HK$740.9 million respectively. Elite Empire Group holds an indirect interest in the development rights in Dadong District (大東區) in Shenyang and Bigwin Group holds an indirect interest in a development site in Wuqing District in Tianjin. The consideration was satisfied by (i) applying the exercise price of the put option in the sum of HK$700 million payable by the Vendor to Purchaser A upon the exercise of such put option; (ii) cash payment in the sum of HK$92.85 million and (iii) as procured by Purchaser A and Purchaser B, the issue of the 2015 Convertible Preference Shares by the Company to the Vendor or its nominee(s) for the remaining balance. As disclosed in the announcement of the Company dated 1 February 2016, the final adjusted consideration for the Sale Share A and Sale Share B amounted to approximately HK$856.9 million and the final adjusted consideration for the Sale Debt A and Sale Debt B amounted to approximately HK$740.8 million. Also as contemplated under the Agreements, the Company and SCAH had entered into a deed of undertaking whereby the Company shall, at the request of SCAH, grant guarantee(s) for which SCAH shall in return provide counter guarantees. The transaction was completed on 7 October 2015. Details of the abovementioned transaction have been set out in the announcements of the Company dated 16 June 2015, 4 September 2015, 7 October 2015 and 1 February 2016.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As mentioned in the section headed “Material Acquisitions and Disposals of Subsidiaries and Associated Companies” above, on 2 November 2015, the Company provided a guarantee in the amount of HK$15 million to a bank in respect of a loan facility granted to a subsidiary of SCAH. In return, SCAH also provided a counter guarantee in the amount of HK$15 million to the Company against the said guaranteed sum.

On 2 February 2015, a bank loan facility granted to the Company was fully refinanced by a new bank loan facility. The debenture, constituting a fixed and floating charge over all assets of certain subsidiaries of the Group in respect of the former bank loan facility, has been released and discharged. There is no such charge under the new bank loan facility.

Save as aforesaid, there was no material change in the Group’s pledge of assets and contingent liabilities.

INVESTMENTS

For the year ended 31 December 2015, available-for-sale financial assets increased from HK$71.4 million to HK$74.0 million and financial assets at fair value through profit and loss increased from HK$46.7 million to HK$50.5 million.

EMPLOYEES

As at 31 December 2015, the total number of employees of the Group was approximately 15,100 (2014: approximately 16,100). Employees' costs (including directors' emoluments) amounted to approximately HK$1,163 million for the year ended 31 December 2015 (2014: approximately HK$1,046 million).

In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidized training programs are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on his/her performance. Employees may also be granted share options and share awards under the share option scheme and the employee's share award scheme (the "Share Award Scheme") adopted by the Company. Details of the share option scheme and the share award scheme are set out in notes 40 and 39 to the financial statements respectively.

EVENT AFTER THE REPORTING PERIOD

On 29 February 2016, the Company announced that it had submitted to the Stock Exchange a proposal for the proposed spin-off and separate listing of the Group's footwear trading business on the Growth Enterprise Market of the Stock Exchange. The Company will make further announcement(s) in relation to any update on the proposal.

PROSPECTS

Going forward, the coming year will be another challenging year given the dynamic changes in both the macroeconomic environment and the policy changes in China. On the brighter side, the global economy is undergoing steady recovery especially in the United States. Despite the challenges, management believes that there will still be growth opportunities for our businesses and projects in China in the long run. Management will continue to drive revenues while at the same time be cost conscious to generate returns and create value for our shareholders.

Trading and Manufacturing

OEM toys manufacturing

In view of the gradual economic recovery in the United States and the strengthening of the consumer market, management holds a positive view about the sustainability of the record high revenue in the coming year. The toy industry is expected to once again record a positive growth on the back of increasing sales from high-tech toys which we believe will be the key driver to the toy industry in the coming years.

The Group has traditionally invested heavily in the R&D and engineering department and will increase its capital investment into developing new technology and manufacturing advances to meet the increasingly complicated requirements of high-tech toys from our clients. Management will seek to setup research departments and collaborations with various academic institutions with China to further increase its competitiveness and expertise in this field.

Furthermore, the Group is looking to further expand its production capacity and has identified a few suitable exisiting plants. Negotiations are in process and management hopes to finalise terms and conditions within the first half of the year.

Property Investment and Development

PRC Property Development

The recent completion of the acquisition of our property development arm is a healthy consolidation as well as a cost efficient streamlining of our PRC property portfolios. Not only does it bring relevant property development management expertise to our existing landbanks in the prime locations of Nanjing and Tianjin, but it also gives us the opportunity to retain high value retail assets from our future property development endeavours.

Shenyang Dadong South provides us with approximately 170,000 square metres of saleable GFA, which is a mixed development comprising two residential towers, one serviced apartment tower, and a retail podium. The project is situated in the Zhongjie pedestrian commercial zone, a prime shopping area in Shenyang with a mix of trendy boutiques, department stores, shopping malls and hotels. Management is cautiously optimistic on the short term contributions from the project in light of recent relaxation of residential policies in the second tier cities of China and the various supporting tax and deduction of government fee policies that have lowered our investment cost.

Shenyang Dadong North provides us with another approximately 390,000 square metres of saleable GFA, which is directly opposite from the pedestrian street to the above. It is also a mixed development project, and the positioning will be thematically in line with the South, with a slightly higher class distinction.

Tianjin Wuqing Project provides us with a site area of 250,000 square metres and is currently under planning stage. It is situated between Beijing and Tianjin and we are cautiously optimistic to its future contributions in light of the recent development of the capital economic circle concept (京津冀首都經濟圈).

Nanjing and Tianjin industrial land use conversion to commercial will continue to be our area of focus. The addition of the new property development team and track record will be a major contribution for us to fully benefit from successful future conversions.

Property Investments

The Group has a property investment portfolio with total floor area of approximately 560,000 square metres in Mainland China and 298,000 square feet in Hong Kong. The investment properties in China are mostly in prime locations in Nanjing, Shenyang and Tianjin.

With the completion of the revamp of the Avenue of Stars, the management team is focusing on upgrading the tenant mix and thereby improving occupancy rates.

Nanjing rental portfolio is expected to remain stable, and further upside in Tianjin portfolio is expected as the existing commercialisation rate of industrial sites are still low.

Meanwhile, the Group will actively consider offloading non-core low-contribution investment properties in Hong Kong and the PRC in order to reallocate resources to more promising investment properties or land banks.

Agriculture and Forestry

The Group currently has long-term leases of over 500,000 mu of woodland, farmland, fishpond and lake space in various major provinces in China, and is focusing on the plantation of fruits and crops, such as apple, lychee, winter date, peach, pear and corn, and breeding of livestock, such as pig, for sale. The Group will continue to explore plantation opportunities for high profit margin species and focus on improving the sales distribution channels so as to improve the revenue and also the operating results of the segment.

Management will continue their effort in cost control and efficient resources utilisation with a view to containing costs.

PRINCIPAL RISKS AND UNCERTAINTIES

The following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties additional to the key risk areas outlined below.

Risks relating to Trading and Manufacturing

Macroeconomic environment

The Group designs and manufactures a wide variety of toys, shoes and other leather products. Our customers sell such products worldwide to the end customers. The Group's financial performance, therefore, hinges on the level of discretionary consumer spending in the markets in which our products are eventually sold. Recessions, credit crises and other economic downturns can result in less consumer disposable income and lower consumer confidence. These factors can reduce orders from our customers.

Cost increase

Cost increases, whether resulting from rising costs of materials, transportation, minimum wage legislations in Mainland or compliance with existing or future regulatory requirements could impact the profit margins realised by the Group on the sale of its products. In addition, the Group could be the subject of future product liability suits or product recalls, which could harm our business.

Risks relating to Property Investment and Development

Risks associated with the property market in Mainland China

A significant part of the Group's property portfolio is located in Mainland China and is therefore subject to the risks associated with China's property market. The Group's operations in the Mainland China may also be exposed to the risks of policy change, interest rate change, demand-supply imbalance, and the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations.

Risks associated with the property market in Hong Kong

The state of Hong Kong's economy and property market, legislative and regulatory changes, government policies and political conditions also have an effect on the Group's revenue derived from the Group's property portfolio in Hong Kong. The government may introduce property cooling measures from time to time. Rental levels in Hong Kong are subject to competition arising from supply in the primary sector.

Risks relating to Agriculture and Forestry

Risk associated with natural disasters or adverse weather conditions

The Group's agriculture and forestry operations are susceptible to natural disasters and adverse weather conditions such as droughts, floods and earthquakes, and environmental hazards. The occurrence of any of the above events in or in close proximity to our cultivation area may cause a reduction or delay in our production output, which may adversely affect the Group's business and operating performance.

The Group will conduct regular reviews and focus on mitigating the risks exposure of each business unit.

ENVIRONMENTAL POLICIES

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

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

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

Customers

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

Service vendors

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

Shareholders

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

APPRECIATION

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

Ng Hung Sang
Chairman

Hong Kong, 15 March 2016

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 66, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. Mr. Ng is actively involved in the overall corporate policies, strategic planning and business development of the Group. He is also an executive director and the chairman of South China Financial Holdings Limited ("SCF"), being listed on the Main Board of the Stock Exchange and SCAH, being listed on the Growth Enterprise Market of the Stock Exchange. Mr. Ng holds a Master degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He was appointed as a Director of the Company on 24 June 1992. Mr. Ng is the father of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company, and each of Mr. Ng Yuk Fung Peter and Mr. Ng Yuk Yeung Paul, an Executive Director and the Executive Vice Chairman of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 62, is an Executive Director, the Vice Chairman, the Chief Executive Officer and a member of the Executive Committee of the Company. Ms. Cheung is also an executive director and a vice chairman of SCF, being listed on the Main Board of the Stock Exchange and an executive director of SCAH, being listed on the Growth Enterprise Market of the Stock Exchange. She also holds several directorships in certain subsidiaries of the Group. Ms. Cheung holds a Master degree in business administration from University of Illinois in the United States of America. She is a member of National Committee of the Chinese People's Political Consultative Conference. Ms. Cheung was appointed as a Director of the Company on 24 June 1992. She is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Richard Howard Gorges, aged 72, is an Executive Director, the Vice Chairman and a member of the Executive Committee of the Company. Mr. Gorges is also an executive director of SCAH, being listed on the Growth Enterprise Market of the Stock Exchange. He holds a Master degree in law from Cambridge University in the United Kingdom. Mr. Gorges was appointed as a Director of the Company on 24 June 1992. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Ng Yuk Fung Peter, aged 35, is an Executive Director, the Executive Vice Chairman and a member of the Executive Committee of the Company. Mr. Ng holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom and is an associate member of the Chartered Institute of Management Accountants. He is also a member of Nanjing Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Ng was appointed as a Director of the Company on 17 June 2002. He is the son of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, the elder brother of Mr. Ng Yuk Yeung Paul, an Executive Director and the Executive Vice Chairman of the Company and the younger brother of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company.

Mr. Ng Yuk Yeung Paul, aged 34, is an Executive Director, the Executive Vice Chairman and a member of the Executive Committee of the Company since 1 January 2016. He has been re-designated from an executive director and the chief executive officer to a non-executive director of SCAH, being listed on the Growth Enterprise Market of the Stock Exchange with effect from 1 January 2016. Mr. Ng also holds several directorships in certain subsidiaries of the Group. He graduated in law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. Mr. Ng is an associate member of the Chartered Institute of Management Accountants and a standing committee member of Liaoning Provincial Committee of the Chinese People's Political Consultative Conference. He has been engaged in the financial services, tourism and media businesses for more than ten years. Mr. Ng is the son of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and is the younger brother of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company and Mr. Ng Yuk Fung Peter, an Executive Director and the Executive Vice Chairman of the Company.

Mr. Law Albert Yu Kwan, aged 66, is an Executive Director, the chief financial officer and a member of the Executive Committee of the Company and the group chief financial officer of the South China group. He is also an executive director of SCAH, being listed on the Growth Enterprise Market of the Stock Exchange. Mr. Law has been the president of the Institute of Accountants in Management since 2007. Previously, Mr. Law held various positions including an independent non-executive director and the chairman of the audit committee of Guangzhou Automobile Group Company Limited from December 2007 to December 2013, the managing director of A. A. and Associates Consulting International Limited from April 2006 to January 2011, financial controller of K. Wah Construction Materials Limited from June 1997 to April 2006 (responsible for finance and accounting, legal, information technology and treasury), managing director of K.K. Yeung Financial Management Consultants International Limited from July 1996 to June 1997 (responsible for marketing, business development and overseas consulting projects) and assistant general manager (responsible for finance, accounting and administration) of Winning Management Company Limited (a Hong Kong real estate holding and investment group) from November 1990 to March 1995. Mr. Law had also served as the president of the UK Chartered Institute of Management Accountants (Hong Kong Division) in 2006/2007 and the chairman of the enterprise governance committee under the said institute from 2003 to 2007. He is a fellow member of the Chartered Institute of Management Accountants, an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of International Accountants in England, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Society of Registered Financial Planners, and a fellow member of the Taxation Institute of Hong Kong. Mr. Law was appointed as a Director of the Company on 10 December 2012.

NON-EXECUTIVE DIRECTORS

Ms. Ng Yuk Mui Jessica, aged 37, is a Non-executive Director of the Company. Ms. Ng is also an executive director and an executive vice chairman of SCAH, being listed on the Growth Enterprise Market of the Stock Exchange and SCF, being listed on the Main Board of the Stock Exchange. She is also the executive vice chairman of South China Media Limited. She holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom, and was admitted to the Hong Kong Bar in 2006. Ms. Ng is an associate member of the Chartered Institute of Management Accountants and a member of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. She was appointed as an Executive Director of the Company on 17 June 2002 and redesignated as a Non-executive Director of the Company with effect from 1 July 2005. Ms. Ng is the daughter of Mr. Ng Hung Sang, an Executive Director, the Chairman and a controlling shareholder of the Company, and the elder sister of Mr. Ng Yuk Fung Peter and Mr. Ng Yuk Yeung Paul, an Executive Director and the Executive Vice Chairman of the Company.

Mr. David Michael Norman, aged 59, is a Non-executive Director, a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. Mr. Norman is also an independent non-executive director of Guoco Group Limited, being listed on the Main Board of the Stock Exchange. He was formerly a non-executive director of South China Holdings Limited (now renamed as Orient Victory China Holdings Limited), a company listed on the Main Board of the Stock Exchange, until 3 October 2014 and a formerly non-executive director of SCAH, being listed on the Growth Enterprise Market of the Stock Exchange, until 12 August 2015. Mr. Norman is a solicitor. He studied philosophy and psychology at Oxford University in the United Kingdom and was admitted as a solicitor in the United Kingdom in 1981 and in Hong Kong in 1984 respectively. Mr. Norman was appointed as a Director of the Company on 9 December 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Sin Chun, aged 68, is an Independent Non-executive Director and a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. He has more than 30 years' experience in the newspaper and media industry. Mr. Chiu was appointed as a Director of the Company on 20 August 2001.

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

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

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

Ms. Li Yuen Yu Alice, aged 46, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. Ms. Li is also a director of Cheng & Cheng Limited, Certified Public Accountants in Hong Kong. She received her Accounting degree from Monash University, Australia in 1994 and was admitted as a Certified Public Accountant in Australia in 1997 and in Hong Kong in 1998. She is a fellow member of the Taxation Institute of Hong Kong. Ms. Li was appointed as a Director of the Company on 28 September 2004.

Mrs. Tse Wong Siu Yin Elizabeth, aged 58, is an Independent Non-executive Director, the chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Company. She is also an independent non-executive director of SCF, being listed on the Main Board of the Stock Exchange. Mrs. Tse was an independent non-executive director of South China Holdings Limited (now renamed as Orient Victory China Holdings Limited), a company listed on the Main Board of the Stock Exchange, from 21 September 2004 to 3 October 2014. Mrs. Tse is the chairman of the Hong Kong Flower Retailers Association, the convenor of Youth Skills Competition in Floristry of Vocational Training Council, the technical advisor of the Environmental Services Industry of Employees Retraining Board, a member of the judge panel of Hong Kong Flower Show and a member of Small and Medium Enterprises Committee. She received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. She holds a Bachelor degree in Science from the University of Western Ontario in Canada. Mrs. Tse was appointed as a Director of the Company on 19 October 2004.

Mr. Yip Dicky Peter, J.P., aged 69, is an Independent Non-executive Director and a member of the Audit Committee and Remuneration and Nomination Committee of the Company. He is also an independent non-executive director of Sun Hung Kai Properties Limited; an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. and DSG International (Thailand) Public Company Limited, a company listed on the stock exchange of Thailand, respectively. Mr. Yip joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in Hong Kong in 1965 with working experiences in various sectors, serving in London, Hong Kong, San Francisco and the Mainland China. Mr. Yip has worked in a number of departments of HSBC, which included trade services, corporate banking, group consultancy service and regional training. His previous assignments prior to becoming the chief executive of China Business had been in personal financial services, covering jobs in marketing, card products, customer service and sales, with responsibilities over consumer business in Hong Kong. Mr. Yip was appointed as the chief executive of China business and based in Shanghai from January 2003 to April 2005. Meanwhile, he was also a director of the Bank of Shanghai, Ping An Insurance and Ping An Bank in China. Mr. Yip became a general manager of HSBC in April 2005 until his retirement from HSBC on 30 June 2012. He also served as the executive vice president of Bank of Communications Co., Ltd. since April 2005 and resigned from such office with effect from 1 July 2012.

Mr. Yip joined the Institute of International Finance in July 2012 as chief representative for the Asia-Pacific Region. He is an elected associate member of the Chartered Institute of Bankers, London. and a Certified Financial Planner and an Honorary adviser of the Institute of Financial Planners of Hong Kong. Mr. Yip was educated in Hong Kong with an MBA from The University of Hong Kong. He received the Ten Outstanding Young Persons Award in 1984 for his contribution to the banking industry and the community in Hong Kong. Mr. Yip was awarded the MBE by the British Government in 1984. In 1999, he was appointed as Unofficial Justice of Peace in Hong Kong. In 2000, he was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. In June 2013, he was appointed as a member of Shanghai Committee of the Chinese People's Political Consultative Conference for a second term.

Mr. Yip is active in community and youth activities in Hong Kong and is a member of a number of service organisations such as Hong Kong Committee for United Nations Children Fund and the Hong Kong Air Cadet Corps. Mr. Yip was appointed as a Director of the Company on 10 December 2012.

Directors' Report

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

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the annual general meeting of the Company held on 9 June 2015, the name of the Company was changed from South China (China) Limited to South China Holdings Company Limited and the Chinese name "南華集團控股有限公司" was adopted as its dual foreign name. The Certificate of Incorporation on Change of Name and the Certificate of Registration of Alternation of Name of Registered Non-Hong Kong Company in respect of the abovementioned changes in company name were issued by the Cayman Islands Registry of Companies and the Hong Kong Companies Registry, respectively, in June 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal subsidiaries are engaged in the trading and manufacturing of toys, property investment and development, and agriculture and forestry. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 3 to 11 of this Annual Report. This discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 and the financial position of the Group at that date are set out in the financial statements on pages 40 to 162 of this Annual Report.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 163 of this Annual Report.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

Details of movements in the ordinary shares, share options, share awards and redeemable convertible preference shares of the Company during the year are set out in notes 39 and 40 to the financial statements.

In October 2015, 1,042,123,131 redeemable convertible preference shares were issued at HK$0.8 each, totaling HK$833.7 million, for settlement of part of the consideration for the acquisition of the entire interest in Elite Empire Investments Limited ("Elite Empire") and Bigwin Investments Limited ("Bigwin") and the loans made by the vendor to such companies. Through respective indirect wholly owned subsidiary, which was incorporated in PRC, Elite Empire and Bigwin are engaged in property development projects at Shenyang and Tianjin, respectively. Details of the abovementioned transactions have been set out in the circular dated 4 September 2015 and the announcements dated 7 October 2015 and 1 February 2016.

As at 31 December 2015, there were 2,735,802,127 redeemable convertible preference shares in issue, including the 1,042,123,131 redeemable convertible preference shares issued in October 2015 as mentioned in the preceding paragraph, which remained outstanding at the end of the reporting period. Other than that, all 1,693,678,996 redeemable convertible preference shares were issued prior to the share sub-division as disclosed in the announcement and circular of the Company dated 25 June 2015 and 6 July 2015, respectively (the "Share Subdivision"). Prior to the Share Subdivision, the issued redeemable convertible preference shares were convertible into fully paid ordinary shares on a one-for-one basis. As adjusted for the Share Subdivision, 5,428,414,512 ordinary shares (of which 2,084,246,262 ordinary shares are attributable to the redeemable convertible preference shares issued in October 2015) are issuable in consideration of the full conversion of the outstanding redeemable convertible preference shares as at 31 December 2015.

During the year ended 31 December 2015, the Company has redeemed 100,440,000 redeemable convertible preference shares at HK$57.3 million in aggregate.

The conversion of redeemable convertible preference share into ordinary share is subject to the following terms and conditions:

(i) SCAH, the holder of the redeemable convertible preference shares and a related company, irrevocably and unconditionally undertakes that, save with the prior consent of the Company, it shall not (and procure its nominees, who are the holders of the redeemable convertible preference shares or the then holders of the redeemable convertible preference shares other than its nominees, if any, shall not) directly or indirectly, through whatsoever means, hold more than 5% of the total number of issued ordinary shares of the Company, individually or collectively;

(ii) the Company shall, immediately after the conversion, meet the public float requirements under the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules") that not less than 25% (or the minimum percentage as set out in the Listing Rules from time to time) of the total number of issued ordinary shares of the Company must be held by the public; and

(iii) the conversion shall not result in the redeemable convertible preference shareholder and parties acting in concert therewith (within the meaning of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code")), taken together, directly or indirectly controlling or being interested in 30% or more of the entire issued voting share capital of the Company (or such other percentage as may from time to time be specified in the Takeovers Code as the level for triggering a mandatory general offer) as at the date of conversion and, hence, the mandatory general offer obligation being triggered unless either (a) such redeemable convertible preference shareholder and the parties acting in concert therewith comply with the Takeovers Code and make a general offer for all the shares not already owned by them or (b) a whitewash waiver to waive the requirement for such redeemable convertible preference shareholder and the parties acting in concert therewith to make a mandatory general offer is approved by the independent shareholders of the Company and granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission pursuant to the Takeovers Code before the date of completion of the conversion.

Details of the convertible preference shares in issue are set out in note 39 to the financial statements.

Details of equity-linked agreement are included in the section "Share option scheme" below.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company (the "Articles") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers, respectively, during the financial year is as follows:

	Percentage of the group's total	
	Sales	**Purchases**
The largest customer	19.9%	
Five largest customers in aggregate	60.9%	
The largest supplier		8.1%
Five largest suppliers in aggregate		23.6%

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

DIRECTORS

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

Executive Directors:
Ng Hung Sang (*Chairman*)
Cheung Choi Ngor (*Vice Chairman and Chief Executive Officer*)
Richard Howard Gorges (*Vice Chairman*)
Ng Yuk Fung Peter (*Executive Vice Chairman*)
Ng Yuk Yeung Paul (*Executive Vice Chairman*) (appointed on 1 January 2016)
Law Albert Yu Kwan

Non-executive Directors:
Ng Yuk Mui Jessica
David Michael Norman

Independent Non-executive Directors:
Chiu Sin Chun
Leung Tony Ka Tung
Li Yuen Yu Alice
Tse Wong Siu Yin Elizabeth
Yip Dicky Peter
Lau Lai Chiu Patrick (resigned on 10 August 2015)

In accordance with Article 116 of the Articles, Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Law Albert Yu Kwan and Ms. Li Yuen Yu Alice will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with Article 99 of the Articles, Mr. Ng Yuk Yeung Paul will retire from office by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company. Save as disclosed, all other remaining Directors continue in office.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the Independent Non-executive Directors, namely Mr. Chiu Sin Chun, Sr Dr. Leung Tony Ka Tung, Ms. Li Yuen Yu Alice, Mrs. Tse Wong Siu Yin Elizabeth, and Mr. Yip Dicky Peter, J.P., and considers all the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 12 to 15 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

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

As at 31 December 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in ordinary shares of the Company

	Ordinary shares				
Beneficial Interests	**Personal Interests** *(Note a)*	**Family interests**	**Corporate interests**	**Total number of shares held**	**Approximate percentage of shareholding to total issued ordinary shares**
Ng Hung Sang ("Mr. Ng")	371,413,834	107,000,000 *(Note b)*	3,159,912,992 *(Note c)*	3,638,326,826	60.87%
Cheung Choi Ngor ("Ms. Cheung")	40,000,000	–	–	40,000,000	0.67%
Ng Yuk Fung Peter ("Mr. Peter Ng")	326,688,000	–	–	326,688,000	5.47%
Ng Yuk Yeung Paul ("Mr. Paul Ng")	136,560,000 *(Note d)*	–	–	136,560,000	2.28%
Law Albert Yu Kwan ("Mr. Law")	5,040,000 *(Note e)*	–	–	5,040,000	0.08%
Ng Yuk Mui Jessica ("Ms. Jessica Ng")	136,560,000	–	–	136,560,000	2.28%

Long positions in underlying shares of the Company

The Company has granted options to certain Directors under the Company's share option schemes, details of which are set out in the section "Share option scheme" below.

Long positions in ordinary shares of associated corporation

Beneficial Interests	**Name of associated corporation**	**Number of ordinary shares held by controlled corporation**	**Approximate percentage of shareholding to total issued ordinary shares**
Mr. Ng	Prime Prospects Limited ("Prime Prospects") *(Note f)*	30	30%

Notes:

(a) The shares are registered under the names of the directors who are the beneficial shareholders.

(b) The spouse of Mr. Ng is the beneficial shareholder.

(c) The 3,159,912,992 shares of the Company held by Mr. Ng through controlled corporations included 979,732,836 shares held by Fung Shing Group Limited ("Fung Shing"), 931,867,420 shares held by Parkfield Holdings Limited ("Parkfield"), 620,038,762 shares held by Earntrade Investments Limited ("Earntrade"), 587,031,298 shares held by Bannock Investment Limited ("Bannock"), 41,226,676 shares held by Ronastar Investments Limited ("Ronastar") and 16,000 shares held by South China Finance And Management Limited ("SCFM"). Fung Shing, Parkfield and Ronastar were all wholly owned by Mr. Ng. Bannock was a wholly-owned subsidiary of Earntrade which was owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges ("Mr. Gorges") and 20% by Ms. Cheung. SCF was owned as to 26.94% by Mr. Ng. As such, Mr. Ng was deemed to have interest in the said 16,000 shares held by SCFM and the 1,207,070,060 shares held by Bannock and Earntrade.

(d) Mr. Paul Ng has been appointed as an Executive Director with effect from 1 January 2016. As at the date of this report, Mr. Paul Ng held 136,560,000 shares.

(e) The 5,040,000 shares of the Company held by Mr. Law were the shares awarded to him under the Share Award Scheme. Mr. Law was awarded 432,000 shares, 432,000 shares, 1,040,000 shares and 3,136,000 shares (adjusted under the Share Subdivision of the Company on 24 July 2015) of the Company on 13 April 2011, 19 July 2011, 30 March 2012 and 28 March 2013, respectively, and such awarded shares were vested on 31 December 2012, 30 June 2013, 31 December 2014 and 31 December 2015, respectively.

(f) Prime Prospects is a 70% owned subsidiary of the Company.

Apart from the foregoing, none of the directors of the Company or any of their spouses or children under eighteen years of age had interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, at 31 December 2015.

SHARE OPTION SCHEMES

The Company adopted a share option scheme in May 2002 ("2002 Share Option Scheme"), which was terminated in June 2012, and a share option scheme in June 2012 ("2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group's operations, and retaining such participants for their continuing support to the Group. The share options granted under the above schemes are unlisted. Once vested, each share option granted before Share Subdivision gives the holder the right to subscribe for two ordinary shares in the Company and share option granted after Share Subdivision gives the holder the right to subscribe for one ordinary share in the Company. Further details of the abovementioned share option schemes (collectively the "Schemes") are disclosed in note 40 to the financial statements.

No new share option was granted under the 2002 Share Option Scheme subsequent to its termination in June 2012. During the year ended 31 December 2015, 40,250,000 share options (before Share Subdivision) and 29,886,368 share options (after Share Subdivision) were granted respectively under the 2012 Share Option Scheme. Such share options, which were granted, are subject to vesting periods and, hence, not currently exercisable. Therefore, no ordinary share in the Company has been issued in respect of such newly granted share options, which remained outstanding as at 31 December 2015, except for the 2,250,000 share options (before Share Subdivision) were forfeited due to termination of employment. The 67,886,368 outstanding share options, if exercised in full, will give rise to proceeds receivable of HK$68.8 million in total. The share options granted under the Schemes and remained outstanding as at 31 December 2015 and the exercise prices thereof (as adjusted for the Share Subdivision of shares as detailed in the circular and announcement of the Company dated 6 July 2015 and 3 August 2015, respectively) categorized by share options granted before Share Subdivision and share options granted after Share Subdivision are as follows:

Share options granted before Share Subdivision

	Number of share options outstanding as at 31 December 2015	Number of share options granted/ (forfeited) during the year	Number of ordinary shares issuable upon the exercise of the outstanding share options (*Note a*)	Exercise price per share HK$ (*Note a*)
2002 Share Option Scheme				
Directors:				
Ms. Cheung (*Note b*)	26,000,000	–	52,000,000	0.75
Mr. Peter Ng (*Note c*)	26,000,000	–	52,000,000	0.75
Employees and other participants	39,200,000	(600,000)	77,200,000	0.75
Total	**91,200,000**	**(600,000)**	**181,200,000**	
2012 Share Option Scheme				
Employees and other participants (*Note d*)	**40,250,000**	**(2,250,000)**	**76,000,000**	0.65

Share options granted after Share Subdivision

	Number of share options						
2012 Share Option Scheme	Outstanding as at 1 January 2015	Granted during the year	Outstanding as at 31 December 2015	Number of ordinary shares issuable upon the exercise of the outstanding share options	Exercise price per share HK$	Grant Date (*Note e*)	Exercisable Period
Employees and other participants	–	29,886,368	29,886,368	29,886,368	0.65	20/10/2015	20/10/2017–19/10/2025

Notes:

(a) as adjusted for the Share Subdivision.

(b) representing 0.87% of total issued voting shares in the Company as at 31 December 2015.

(c) representing 0.87% of total issued voting shares in the Company as at 31 December 2015.

(d) share price immediately preceding the grant date of share option on 10 July 2015 was HK$0.65 as adjusted for Share Subdivision.

(e) share price immediately preceding the grant date of share option on 20 October 2015 was HK$0.52.

As at 31 December 2015, the Company had 158,486,368 share options outstanding, comprising 90,600,000 share options granted under the 2002 Share Option Scheme, which have vested and are currently exercisable, and 67,886,368 share options granted under the 2012 Share Option Scheme, the exercise of which being subject to the fulfillment of the vesting period requirement. Such share options, if exercised in full, will give rise to proceeds receivable of HK$204.7 million in total.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the Share Award Scheme whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and conditions of the Share Award Scheme, the Company shall settle a sum up to and not exceeding HK$60 million for the purchase of shares in the Company and/or SCAH from the market. Such shares shall form part of the capital of the trust set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company's resources for the purposed of purchase of shares as referred to in the above. Details of the Share Award Scheme are set out in note 39 to the financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

RETIREMENT SCHEMES

The Group operates a defined benefit occupational retirement scheme and a mandatory provident fund scheme. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. Particulars of these retirement schemes are set out in note 2.4(x)(i) to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the transactions during the year between the Group and connected persons (as defined in the Listing Rules) in which a Director has beneficial interest are set out in the section "Connected and Continuing Connected Transactions" of this report and note 46 to the financial statements.

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

MANAGEMENT CONTRACT

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

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

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

	Ordinary shares				
Beneficial Interests	**Registered shareholders**	**Family interests**	**Corporate interests**	**Total number of ordinary shares held**	**Approximate percentage of shareholding to total issued ordinary shares**
Earntrade	620,038,762	–	587,031,298 *(Note a)*	1,207,070,060	20.19%
Bannock	587,031,298 *(Note a)*	–	–	587,031,298	9.82%
Parkfield	931,867,420	–	–	931,867,420	15.59%
Fung Shing	979,732,836	–	–	979,732,836	16.39%
Ng Lai King Pamela ("Ms. Ng")	107,000,000	3,531,326,826 *(Note b)*	–	3,638,326,826	60.87%

Notes:

(a) Bannock is a wholly-owned subsidiary of Earntrade. The 1,207,070,060 shares of the Company held by Earntrade included 587,031,298 shares held by Bannock directly.

(b) Ms. Ng, who held 107,000,000 shares of the Company directly, is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was deemed to be interested in the 371,413,834 shares and 3,159,912,992 shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above.

Apart from the foregoing, as at 31 December 2015, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

The Company and SCAH, a company listed on The Growth Enterprise Market of the Stock Exchange, have certain common directors. The principal activities of SCAH include property investment and development which is one of the principal activities of the Group.

Mr. Ng, Ms. Cheung, Mr. Gorges and Mr. Law, all being Executive Directors of the Company, are also the executive directors of SCAH. Ms. Jessica Ng, a Non-executive Director of the Company, was re-designated from non-executive director of SCAH to executive director of the same on 1 January 2016. Mr. Peter Ng, an Executive Director of the Company, was an executive director of SCAH. He tendered his resignation and ceased to act as executive director of SCAH with effect from 23 October 2015. Mr. Paul Ng, who was appointed as an executive director of the Company with effect from 1 January 2016, was an executive director of SCAH for the year ended 31 December 2015 and re-designated as a non-executive director of SCAH with effect from 1 January 2016.

Mr. Ng is also the chairman of the board and controlling shareholder of SCAH. Mr. Gorges and Ms. Cheung are the substantial shareholders of a controlled corporation of Mr. Ng, which, together with its direct wholly-owned subsidiary, holds 20.03% interest in SCAH.

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

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

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1), the changes in information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing rules during the course of the Directors' terms of office for the period from the date of publication of the Company's latest interim report up to the date of this Annual Report are set out below:

Mr. Gorges has resigned as an executive director and vice chairman of SCF on 12 November 2015.

Mr. Peter Ng has resigned as an executive director of SCAH effective from 23 October 2015, and was appointed as an Executive Vice Chairman of the Company with effect from 1 January 2016.

Mr. Paul Ng was appointed as an Executive Director, the Executive Vice Chairman and a member of the Executive Committee of the Company with a monthly salary of HK$200,000 and a director fee of HK$10,000 per annum with effect from 1 January 2016. He was re-designated from an executive director and the chief executive officer to a non-executive director of SCAH with effect from 1 January 2016.

With effect from 1 January 2016, the monthly salary of Mr. Law has been adjusted from HK$200,000 to HK$210,000.

Ms. Jessica Ng was appointed as a member of the audit committee of SCAH with effect from 23 October 2015. She was re-designated from non-executive director to executive director of SCAH and appointed as the executive vice chairman and a member of the executive committee of the same with effect from 1 January 2016. As such, she has resigned and ceased to act as a member of the audit committee of SCAH with effect from 1 January 2016. She was also appointed as an executive director and a member of the Executive Committee of SCF, being listed on the Main Board of the Stock Exchange with effect from 12 November 2015 and subsequently was appointed as the executive vice chairman on 1 January 2016.

INDEMNITY OF DIRECTORS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at 15 March 2016, being the latest practicable date prior to the date of this report.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which the relevant announcements, if required under Chapter 14A of the Listing Rules, had been made by the Company.

Connected Transaction

Pursuant to (i) Sale Shares Agreement dated 16 June 2015, entered into between Crystal Hub Limited ("Crystal Hub"), a direct wholly-owned subsidiary of SCAH, Perennial Success Limited ("Purchaser A") and Profit Runner Investments Limited ("Purchaser B"), each an indirect wholly-owned subsidiary of the Company, whereby Crystal Hub conditionally agreed to sell to Purchaser A and Purchaser B the entire interests in Elite Empire and Bigwin, respectively, and Purchaser A and Purchaser B conditionally agreed to acquire the same from Crystal Hub; and (ii) the Sale Debts Agreement dated 16 June 2015, entered into between Crystal Hub, Purchaser A and Purchaser B whereby Crystal Hub conditionally agreed to sell to Purchaser A and Purchaser B all the loans it made to Elite Empire (and its subsidiaries) and Bigwin (and its subsidiaries), respectively. Under the Sale Shares Agreement, the Company and SCAH shall enter into a deed of undertaking whereby the Company shall, at the request of SCAH, grant guarantee(s) in favour of the prospective lenders of any member of SCAH's group subject to certain condition and SCAH shall in return provide counter guarantees. For more details, please refer to the circular dated 4 September 2015 issued by the Company.

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

As at 31 December 2015, Mr. Ng, the Chairman, an Executive Director and a substantial shareholder of the Company, owned as to 64.92 in SCAH%.

Continuing Connected Transactions

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

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

On 2 November 2015, the Company provided a guarantee in the amount of HK$15 million, which represented approximately 0.1% of the Group's total assets value as at 31 December 2015. to a bank in respect of a loan facility granted to a subsidiary of SCAH. In return, SCAH also provided a counter guarantee in the amount of HK$15 million to the Company against the said guaranteed sum. As at 31 December 2015, the loan facility was utilized to the extent of approximately HK$7 million.

(2) On 30 June 2015, the tenancy agreement dated 25 June 2013 between Copthorne Holdings Corp. ("Copthorne"), an indirect wholly-owned subsidiary of the Company, as the landlord and Jessciacode Management Limited ("Jessciacode"), a company indirectly wholly-owned by Mr. Ng, as the tenant for the premises at Unit C, on 3rd Floor of Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong was renewed at a monthly rental HK$30,123.50 for two years from 1 July 2015 to 30 June 2017. Details of the above transaction were disclosed in the announcement of the Company dated 30 June 2015.

(3) On 30 December 2013, the tenancy agreement dated 12 December 2011 between First City Limited, an indirect wholly-owned subsidiary of the Company, as the landlord and Hong Kong Four Seas Tours Limited, a company indirectly wholly-owned by Mr. Ng, as the tenant for the premise at 1/F, On Lok Yuen Building, 25, 27 and 27A Des Voeux Road Central, Hong Kong was renewed at a monthly rental of HK$129,504 for two years from 1 January 2014 to 31 December 2015. Details of the above transaction were disclosed in the announcement of the Company dated 30 December 2013.

(4) On 30 December 2013, Glorious Dragon Investments Limited, an indirect wholly-owned subsidiary of the Company, as the landlord entered into a tenancy agreement with Four Seas Tours Limited, a company indirectly non-wholly owned by Mr. Ng, as the tenant for the premise at 2/F, On Lok Yuen Building, 25, 27 and 27A Des Voeux Road Central, Hong Kong at a monthly rental of HK$126,096 for two years from 1 January 2014 to 31 December 2015. Details of the above transaction were disclosed in the announcement of the Company dated 30 December 2013.

(5) On 30 December 2013, the tenancy agreements dated 29 December 2011 between Copthorne, an indirect wholly-owned subsidiary of the Company, as the landlord and South China Media Management Limited, a company indirectly wholly-owned by Mr. Ng, as the tenant for the premises at Units A, B and D on 3rd Floor, Units A, B, C and D on 4th Floor and Unit B on 12th Floor together with car parking spaces nos. 12A, 12B, 13A and 13B of Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong were renewed at an aggregate monthly rental of HK$215,505 for two years from 1 January 2014 to 31 December 2015. Details of the above transactions were disclosed in the announcement of the Company dated 30 December 2013.

(6) On 25 June 2013, the tenancy agreement dated 31 May 2011 between Copthorne, an indirect wholly-owned subsidiary of the Company, as the landlord and Jessicacode, a company indirectly wholly-owned by Mr. Ng, as the tenant for the premises at Unit C, on 3rd Floor of Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong was renewed at a monthly rental of HK$27,385 for two years from 1 July 2013 to 30 June 2015. Details of the above transaction were disclosed in the announcement of the Company dated 25 June 2013.

One of the principal activities of the Group is engaged in property investment and the above rental agreements provided the Group with stable rental income.

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

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

(2) on normal commercial terms or better; and

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Certain related party transactions set out in note 46 to the financial statements on page 142 constitute connected transactions or continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied with.

AUDITOR

Messrs. Ernst & Young ("EY") resigned as the auditor of the Company and its subsidiaries with effect from 14 January 2015 and KPMG was then appointed as the auditor of the Company and its subsidiaries to hold office until the conclusion of the annual general meeting of the Company held on 9 June 2015 at which KPMG was re-appointed as the auditor of the Company.

KPMG will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 15 March 2016

Corporate Governance Report

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

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2015 except that Mr. Ng Hung Sang, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 9 June 2015 as he had other business engagements, which deviated from code provision E.1.2.

Subsequent to the year ended 31 December 2015, Ms. Chan Sau Mui Juanna resigned as the Company Secretary of the Company with effect from 8 January 2016. Since then, the Company no longer complied with the requirement under Rule 3.28 of the Listing Rules and, hence, the relevant code provisions in respect of company secretary. The Company is in the process of identifying a suitable candidate to fill the vacancy in the office of company secretary.

BOARD COMPOSITION AND BOARD PRACTICES

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

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

Non-executive Directors:
Ms. Ng Yuk Mui Jessica
Mr. David Michael Norman

Independent Non-executive Directors:
Mr. Chiu Sin Chun
Sr Dr. Leung Tony Ka Tung
Ms. Li Yuen Yu Alice
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Yip Dicky Peter, J.P.

Independent Non-executive Directors represented not less than one-third of the Board for the year ended 31 December 2015. Directors' biographies and the relevant relationships amongst them are set out in the Directors' Biographical Details on pages 12 to 15 in this Annual Report.

Mr. Lau Lai Chiu Patrick resigned as an Independent Non-executive Director on 10 August 2015. On 1 January 2016, Mr. Ng Yuk Yeung Paul was appointed as an Executive Director, an Executive Vice Chairman and a member of the Executive Committee of the Company and Mr. Ng Yuk Fung Peter, an Executive Director and a member of the Executive Committee of the Company, was appointed as an Executive Vice Chairman of the Company. The Company remained in compliance with Rule 3.10A, which requires that the Independent Non-executive Directors shall represent at least one-third of the Board, for the period from 1 January 2016 to the date of this Annual Report.

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

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

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

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

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

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

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

The Board held four meetings in 2015:

	Number of Meetings Attended/Eligible to Attend
Executive Directors	
Ng Hung Sang (*Chairman*)	3/4
Cheung Choi Ngor (*Vice Chairman and Chief Executive Officer*)	3/4
Richard Howard Gorges (*Vice Chairman*)	4/4
Ng Yuk Fung Peter (*Executive Vice Chairman*)	3/4
Ng Yuk Yeung Paul (*Executive Vice Chairman*) (appointed on 1 January 2016)	N/A
Law Albert Yu Kwan	4/4
Non-executive Directors	
Ng Yuk Mui Jessica	4/4
David Michael Norman	2/4
Independent Non-executive Directors	
Chiu Sin Chun	4/4
Leung Tony Ka Tung	4/4
Li Yuen Yu Alice	4/4
Tse Wong Siu Yin Elizabeth	4/4
Yip Dicky Peter	4/4
Lau Lai Chiu Patrick (resigned on 10 August 2015)	2/2

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding the directors' securities transactions. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities.

In response to the Company's specific enquiry, all Directors of the Company confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the year ended 31 December 2015.

INTERNAL CONTROL

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

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

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

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

The Board oversees the Company's risk management. With the support of the relevant business unit managers, the Board identifies and assesses the key risks, existing or emerging, facing the Group, and formulates strategies and measures to mitigate the relevant risk exposure. During the year, Internal Audit Department reviewed subcontracting and procurement activities of toy manufacturing businesses and leasing activities in Shenyang. The results were addressed in the internal audit report to the Audit Committee and the Board for approval.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement by the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 38 and 39 of this Annual Report.

AUDITOR'S REMUNERATION

The fees paid/payable to the auditor of the Company for the year ended 31 December 2015 in respect of the audit and non-audit services provided to the Company and its subsidiaries amounted to HK$3,174,000 and HK$406,000, respectively. Such non-audit services consist of professional services rendered in respect of the major and connected acquisition transactions, and to review and report on the continuing connected transactions of the Group.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

	Type of trainings	
	Attending Seminars/ Conferences and/ or Similar Events	**Reading Materials and Updates**
Executive Directors		
Ng Hung Sang (*Chairman*)		✓
Cheung Choi Ngor (*Vice Chairman and Chief Executive Officer*)		✓
Richard Howard Gorges (*Vice Chairman*)		✓
Ng Yuk Fung Peter (*Executive Vice Chairman*)		✓
Ng Yuk Yeung Paul (*Executive Vice Chairman*) (appointed on 1 January 2016)	N/A	N/A
Law Albert Yu Kwan	✓	✓
Non-executive Directors		
Ng Yuk Mui Jessica		✓
David Michael Norman		✓
Independent Non-executive Directors		
Chiu Sin Chun		✓
Leung Tony Ka Tung		✓
Li Yuen Yu Alice		✓
Tse Wong Siu Yin Elizabeth	✓	✓
Yip Dicky Peter		✓
Lau Lai Chiu Patrick (resigned on 10 August 2015)		✓

AUDIT COMMITTEE

The Audit Committee currently consists of four Independent Non-executive Directors, namely Ms. Li Yuen Yu Alice (Chairman of the Committee), Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P. and Mr. David Michael Norman, a Non-executive Director.

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

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

	Number of Meetings Attended/Eligible to Attend
Li Yuen Yu Alice	5/5
Chiu Sin Chun	4/5
Tse Wong Siu Yin Elizabeth	5/5
Yip Dicky Peter	5/5
David Michael Norman	3/5

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

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee performs both remuneration and nomination functions under the CG Code. It currently consists of four Independent Non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth (Chairman of the Committee), Mr. Chiu Sin Chun, Ms. Li Yuen Yu Alice and Mr. Yip Dicky Peter, J.P., and Mr. David Michael Norman, a Non-executive Director.

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

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

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

	Number of Meetings Attended/Eligible to Attend
Tse Wong Siu Yin Elizabeth	1/1
Chiu Sin Chun	1/1
Li Yuen Yu Alice	1/1
Yip Dicky Peter	1/1
David Michael Norman	1/1

SHAREHOLDERS' RIGHTS

Information is communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meetings and other general meetings, as well as disclosure on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are available on the website of the Company. The Company's website provides shareholders with the corporate information of the Group.

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

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

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

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

	AGM (9 Jun 2015)	**EGM (23 Jul 2015)**	**EGM (30 Sep 2015)**
Executive Directors			
Ng Hung Sang (*Chairman*)	✗	✗	✗
Cheung Choi Ngor (*Vice Chairman and Chief Executive Officer*)	✓	✗	✗
Richard Howard Gorges (*Vice Chairman*)	✓	✓	✓
Ng Yuk Fung Peter (*Executive Vice Chairman*)	✗	✗	✗
Ng Yuk Yeung Paul (*Executive Vice Chairman*) (appointed on 1 January 2016)	N/A	N/A	N/A
Law Albert Yu Kwan	✓	✗	✓
Non-Executive Directors			
Ng Yuk Mui Jessica	✓	✓	✓
David Michael Norman	✗	✓	✓
Independent Non-executive Directors			
Chiu Sin Chun	✓	✗	✓
Leung Tony Ka Tung	✓	✓	✗
Li Yuen Yu Alice	✓	✓	✗
Tse Wong Siu Yin Elizabeth	✓	✓	✓
Yip Dicky Peter	✓	✗	✗
Lau Lai Chiu Patrick (resigned on 10 August 2015)	✓	✓	N/A

CHANGES IN THE COMPANY'S CONSTITUTIONAL DOCUMENTS

Pursuant to special resolutions passed at the AGM and EGM held on 9 June 2015 and 30 September 2015 respectively, the amendments to the Company's memorandum and articles of association were approved by the shareholders of the Company. The amendments principally reflected the change of Company name, the sub-division of Shares, the increase in authorised share capital and amendment to the notice requirement of EGM of the Company.

Independent Auditor's Report

Independent auditor's report to the shareholders of South China Holdings Company Limited
(Formerly South China (China) Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of South China Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 40 to 162, which comprise the consolidated statement of financial position as at 31 December 2015, 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 cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

15 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015 (*Expressed in Hong Kong dollars*)

	Note	2015 $'000	2014 $'000 (Restated)
Revenue	4 & 5	**3,406,501**	3,159,789
Cost of sales		**(2,902,444)**	(2,775,914)
Gross profit		**504,057**	383,875
Other income and gains, net	5	**27,323**	138,650
Fair value gain on investment properties inclusive of investment property under construction and investment properties presented as non-current assets classified as held for sale		**390,089**	133,348
Fair value gain/(loss) on financial assets at fair value through profit or loss		**3,642**	(4,840)
Fair value loss on foreign exchange forward contracts		**(2,749)**	(1,158)
Selling and distribution expenses		**(73,395)**	(77,646)
Administrative expenses		**(505,901)**	(438,862)
Equity-settled share award expense		**(7,514)**	(2,127)
Profit from operations		**335,552**	131,240
Finance costs	7	**(117,163)**	(94,298)
Share of profits and losses of associates	17	**18,879**	176,258
Reversal of impairment/(impairment) of advances to associates, net	17	**427**	(22)
Profit before tax	6	**237,695**	213,178
Income tax	10	**(86,040)**	(32,660)
Profit for the year		**151,655**	180,518
Attributable to:			
Equity shareholders of the Company		**156,749**	189,780
Non-controlling interests		**(5,094)**	(9,262)
		151,655	180,518
Earnings per share	11		
Basic		**HK2.7 cents**	HK3.2 cents
Diluted		**HK1.6 cents**	HK2.0 cents

The notes on pages 49 to 162 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015 *(Expressed in Hong Kong dollars)*

	2015 $'000	2014 $'000 (Restated)
Profit for the year	**151,655**	180,518
Other comprehensive income (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
Surplus on revaluation of property, plant and equipment upon transfer to investment properties	—	315
Items that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets:		
— Net changes in fair value	**2,602**	(272)
— Reclassification adjustment for impairment loss transferred to profit or loss	**60**	—
	2,662	(272)
Exchange differences on translation of operations outside Hong Kong	**(188,528)**	(76,870)
Share of other comprehensive income of associates	**(519)**	(271)
Other comprehensive income for the year	**(186,385)**	(77,098)
Total comprehensive income for the year	**(34,730)**	103,420
Attributable to:		
Equity shareholders of the Company	**(7,179)**	125,647
Non-controlling interests	**(27,551)**	(22,227)
	(34,730)	103,420

The notes on pages 49 to 162 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015 *(Expressed in Hong Kong dollars)*

	Note	**As at 31 December 2015 $'000**	As at 31 December 2014 $'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**198,941**	225,507
Investment properties	13	**6,598,018**	6,498,488
Prepaid land lease payments	14	**85,814**	98,019
Construction in progress	15	**127,907**	131,922
Investments in associates	17	**15,985**	16,281
Bearer plants	18	**89,981**	98,458
Available-for-sale financial assets	19	**74,018**	71,417
Prepayments and deposits	20	**18,623**	18,851
Goodwill	21	**3,041**	3,171
Other non-current assets		**15,638**	15,638
Total non-current assets		**7,227,966**	7,177,752
CURRENT ASSETS			
Inventories	22	**341,995**	363,604
Properties under development	23	**1,044,074**	—
Trade receivables	24	**380,506**	416,047
Prepayments, deposits and other receivables	25	**802,163**	136,013
Financial assets at fair value through profit or loss	26	**50,476**	46,696
Foreign exchange forward contracts	27	**—**	1,011
Amounts due from non-controlling shareholders of subsidiaries	28	**56,650**	41,236
Amounts due from affiliates	28	**104,277**	110,765
Loan receivable	29	**—**	695,228
Tax recoverable		**41,690**	27,766
Cash and bank balances	30	**486,422**	319,898
		3,308,253	2,158,264
Non-current assets classified as held for sale	31	**904,000**	821,000
Total current assets		**4,212,253**	2,979,264
CURRENT LIABILITIES			
Trade payables	32	**346,840**	373,144
Other payables and accruals	33	**594,004**	468,017
Interest-bearing bank borrowings	34	**1,959,204**	2,038,507
Foreign exchange forward contracts	27	**55,714**	3,588
Amounts due to non-controlling shareholders of subsidiaries	35	**932**	937
Tax payable		**51,744**	44,557
Total current liabilities		**3,008,438**	2,928,750
NET CURRENT ASSETS		**1,203,815**	50,514
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,431,781**	7,228,266

	Note	As at 31 December 2015 $'000	As at 31 December 2014 $'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	34	**1,740,880**	1,314,135
Advances from non-controlling shareholders of subsidiaries	36	**7,941**	7,941
Other non-current liabilities	37	**74,458**	78,174
Deferred tax liabilities	38	**832,001**	803,562
Total non-current liabilities		**2,655,280**	2,203,812
NET ASSETS		**5,776,501**	5,024,454
CAPITAL AND RESERVES			
Share capital	39	**114,488**	95,655
Reserves	41(a)	**5,304,746**	4,548,369
Total equity attributable to equity shareholders of the Company		**5,419,234**	4,644,024
Non-controlling interests		**357,267**	380,430
TOTAL EQUITY		**5,776,501**	5,024,454

Approved and authorised for issue by the board of directors on 15 March 2016.

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

The notes on pages 49 to 162 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2015 (*Expressed in Hong Kong dollars*)

		Attributable to equity shareholders of the Company																
		Share capital																
	Note	Ordinary shares $'000	Redeemable convertible preference shares $'000	Share premium $'000	Contributed surplus $'000	Capital redemption reserve $'000	Merger reserve $'000	Land and buildings revaluation reserve $'000	Available-for-sale financial assets revaluation reserve $'000	PRC statutory reserves $'000	Shares held for Share Award Scheme $'000	Employee share-based compensation reserve# $'000	Goodwill reserve $'000	Exchange reserve $'000 (Restated)	Retained profits $'000 (Restated)	Total $'000 (Restated)	Non-controlling interests $'000	Total equity $'000 (Restated)
At 1 January 2014		59,773	27,059	750,842	508,172	223	(1,603,030)	68,040	54,096	10,965	(25,115)	52,092	(3,067)	378,277	3,901,724	4,180,051	483,756	4,663,807
Profit for the year (restated)		—	—	—	—	—	—	—	—	—	—	—	—	—	189,780	189,780	(9,262)	180,518
Other comprehensive income for the year:																		
Surplus on revaluation	12	—	—	—	—	—	—	315	—	—	—	—	—	—	—	315	—	315
Change in fair value of available-for-sale financial assets	19	—	—	—	—	—	—	—	(272)	—	—	—	—	—	—	(272)	—	(272)
Exchange differences on translation of operations outside Hong Kong (restated)		—	—	—	—	—	—	—	—	—	—	—	—	(63,905)	—	(63,905)	(12,965)	(76,870)
Share of other comprehensive income of associates		—	—	—	—	—	—	—	—	—	—	—	—	(271)	—	(271)	—	(271)
Total comprehensive income for the year (restated)		—	—	—	—	—	—	315	(272)	—	—	—	—	(64,176)	189,780	125,647	(22,227)	103,420
Issuance of redeemable convertible preference shares	39 & 41	—	8,823	291,177	—	—	—	—	—	—	—	—	—	—	—	300,000	—	300,000
Acquisition of non-controlling interests	50	—	—	—	—	—	—	—	—	—	—	—	—	—	37,520	37,520	(81,099)	(43,579)
Shares purchased for Share Award Scheme	39	—	—	—	—	—	—	—	—	—	(429)	—	—	—	—	(429)	—	(429)
Vesting of shares awarded under Share Award Scheme	39	—	—	—	—	—	—	—	—	—	1,101	(852)	—	—	(249)	—	—	—
Transfer of employee share-based compensation reserve upon lapse of shares awarded and share options		—	—	—	—	—	—	—	—	—	—	(764)	—	—	764	—	—	—
Recognition of equity-settled share-based compensation: share award		—	—	—	—	—	—	—	—	—	—	1,235	—	—	—	1,235	—	1,235
At 31 December 2014 (restated)		59,773	35,882	1,042,019	508,172	223	(1,603,030)	68,355	53,824	10,965	(24,443)	51,711	(3,067)	314,101	4,129,539	4,644,024	380,430	5,024,454

		Attributable to equity shareholders of the Company																
		Share capital																
	Note	Ordinary shares $'000	Redeemable convertible preference shares $'000	Share premium $'000	Contributed surplus $'000	Capital redemption reserve $'000	Merger reserve $'000	Land and buildings revaluation reserve $'000	Available-for-sale financial assets revaluation reserve $'000	PRC statutory reserves $'000	Shares held for Share Award Scheme $'000	Employee share-based compensation reserve# $'000	Goodwill reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2015																		
As previously reported		59,773	35,882	1,042,019	508,172	223	(1,603,030)	68,355	53,824	10,965	(24,443)	51,711	(3,067)	314,179	4,138,662	4,653,225	380,430	5,033,655
Adjusted for early adoption of Amendments to HKAS 16 and HKAS 41	2.2	—	—	—	—	—	—	—	—	—	—	—	—	(78)	(9,123)	(9,201)	—	(9,201)
As restated		59,773	35,882	1,042,019	508,172	223	(1,603,030)	68,355	53,824	10,965	(24,443)	51,711	(3,067)	314,101	4,129,539	4,644,024	380,430	5,024,454
Profit for the year		—	—	—	—	—	—	—	—	—	—	—	—	—	156,749	156,749	(5,094)	151,655
Other comprehensive income for the year:																		
Net change in fair value of available-for-sale financial assets	19	—	—	—	—	—	—	—	2,602	—	—	—	—	—	—	2,602	—	2,602
Reclassification adjustment for impairment loss on available-for-sale financial assets transferred to profit or loss		—	—	—	—	—	—	—	60	—	—	—	—	—	—	60	—	60
Exchange differences on translation of operations outside Hong Kong		—	—	—	—	—	—	—	—	—	—	—	—	(166,071)	—	(166,071)	(22,457)	(188,528)
Share of other comprehensive income of associates		—	—	—	—	—	—	—	—	—	—	—	—	(519)	—	(519)	—	(519)
Total comprehensive income for the year		—	—	—	—	—	—	—	2,662	—	—	—	—	(166,590)	156,749	(7,179)	(27,551)	(34,730)
Issuance of redeemable convertible preference shares	39 & 41	—	20,842	812,856	—	—	—	—	—	—	—	—	—	—	—	833,698	—	833,698
Redemption of redeemable convertible preference shares	39	—	(2,009)	(55,242)	—	—	—	—	—	—	—	—	—	—	—	(57,251)	—	(57,251)
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,388	4,388
Vesting of shares awarded under Share Award Scheme	39	—	—	—	—	—	—	—	—	—	1,943	(2,640)	—	—	697	—	—	—
Transfer of employee share-based compensation reserve upon lapse of shares awarded and share options		—	—	—	—	—	—	—	—	—	—	(579)	—	—	579	—	—	—
Recognition of equity-settled share-based compensation: share award and share options		—	—	—	—	—	—	—	—	—	—	5,942	—	—	—	5,942	—	5,942
At 31 December 2015		59,773	54,715	1,799,633	508,172	223	(1,603,030)	68,355	56,486	10,965	(22,500)	54,434	(3,067)	147,511	4,287,564	5,419,234	357,267	5,776,501

Merger reserve arose from the Group reorganisation in 1992 and the business combinations under common control in respect of the acquisitions of certain fellow subsidiaries in 2007 and certain related companies ultimately controlled by the substantial shareholder of the Company in 2011 and 2013.

Employee share-based compensation reserve comprises the share option reserve and the share award reserve.

The notes on pages 49 to 162 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015 *(Expressed in Hong Kong dollars)*

	Note	2015 $'000	2014 $'000 (Restated)
Operating activities			
Profit before tax		**237,695**	213,178
Adjustments for:			
Finance costs	7	**117,163**	94,298
Share of profits and losses of associates	17	**(18,879)**	(176,258)
Interest income	5	**(9,089)**	(108,434)
Loss/(gain) on disposal of items of property, plant and equipment	5	**4,898**	(128)
Gain on disposal of investment properties		**(61)**	—
Gain on disposal of financial assets at fair value through profit or loss	5	**(215)**	(9,875)
Loss on disposal of bearer plants	5	**—**	8,342
Revaluation adjustment of investment properties upon distribution in specie by an associate		**—**	8,880
Fair value gain on investment properties inclusive of investment property under construction and investment properties presented as non-current assets classified as held for sale		**(390,089)**	(133,348)
Fair value (gain)/loss on financial assets at fair value through profit or loss		**(3,642)**	4,840
Fair value loss on foreign exchange forward contracts	6	**56,944**	6,694
Equity-settled share award expense	6	**7,514**	2,127
(Reversal of impairment)/impairment of advances to associates, net	17	**(427)**	22
Impairment loss on available-for-sale investments	5	**60**	—
Impairment loss on trade receivables, net	6	**778**	1,011
Impairment loss on other receivables	5	**—**	9,804
Impairment loss on property, plant and equipment	5	**1,904**	275
(Reversal of impairment loss on)/write-off of other receivables	6	**(1,610)**	57
Write-back of other payables	5	**(15)**	(13,587)
Provision for inventories, net	6	**16,993**	13,593
Write-off of construction in progress	15	**644**	—
Write-off of bearer plants	5	**—**	7,492
Dividend income from listed investments		**(459)**	—
Depreciation	6	**47,824**	52,239
Amortisation of prepaid land lease payments	6	**47,509**	49,365
Changes in working capital:			
Decrease in inventories		**2,817**	27,235
Increase in properties under development		**(96,143)**	—
Decrease/(increase) in trade receivables		**34,050**	(145,353)
Decrease in prepayments, deposits and other receivables		**14,222**	1,251
(Decrease)/increase in trade payables		**(22,723)**	21,978
Increase in other payables and accruals		**74,330**	57,276
Increase/(decrease) in provision for severance payment		**16**	(474)
Cash generated from/(used in) operations		**122,009**	(7,500)
Hong Kong Profits Tax paid		**(15,212)**	(13,123)
The People's Republic of China ("PRC") enterprise income tax paid		**(12,287)**	(7,865)
Net cash generated from/(used in) operating activities		**94,510**	(28,488)

	Note	2015 $'000	2014 $'000 (Restated)
Investing activities			
Purchases of items of property, plant and equipment	12	**(28,439)**	(33,839)
Additions to investment properties and investment property under construction	13(a)&(b)	**(2,581)**	(39,264)
Additions to prepaid land lease payments	14	**(31,148)**	(65,010)
Additions to construction in progress	15	**(1,802)**	(5,186)
Additions to bearer plants	18	**(553)**	(882)
Purchases of financial assets at fair value through profit or loss		**(4,706)**	(11,897)
Advances to an associate		**(8)**	(22)
Interest received		**4,317**	4,423
Proceeds from disposal of financial assets at fair value through profit or loss		**4,673**	34,150
Proceeds from disposal of investment properties		**2,243**	—
Proceeds from disposal of bearer plants		**—**	2,371
(Payment for)/proceeds from settlement of foreign exchange forward contracts		**(3,807)**	10,498
Proceeds from disposal of items of property, plant and equipment		**1,663**	810
Net cash outflow from acquisition of subsidiaries	51	**(87,334)**	(4,553)
Decrease/(increase) in amounts due from affiliates		**35,265**	(32,765)
Capital injection into an associate		**—**	(433,746)
Payment for loan receivable		**—**	(291,217)
Dividend income from associates		**19,091**	74,666
Dividend income from listed investments		**459**	—
Net cash used in investing activities		**(92,667)**	(791,463)

Consolidated Cash Flow Statement

For the year ended 31 December 2015 *(Expressed in Hong Kong dollars)*

	Note	2015 $'000	2014 $'000 (Restated)
Financing activities			
New bank loans		**2,200,540**	2,314,912
Repayment of bank loans		**(1,798,243)**	(1,268,401)
Repayment of amount due to an associate		**—**	(106,931)
Decrease in trust receipt loans		**(29,698)**	(13,972)
Interest and other borrowing costs paid		**(132,812)**	(109,248)
Decrease/(increase) in restricted bank deposits	30	**408**	(8,373)
Redemption of redeemable convertible preference shares	39	**(57,251)**	—
Decrease in balances with non-controlling shareholders, net		**(35)**	(32,447)
Payment to non-controlling shareholders for purchase of additional interest in subsidiaries	50	**—**	(43,579)
Purchase of shares held for Share Award Scheme	39	**—**	(429)
Net cash generated from financing activities		**182,909**	731,532
Net increase/(decrease) in cash and cash equivalents		**184,752**	(88,419)
Cash and cash equivalents at beginning of year		**259,095**	349,968
Effect of foreign exchange rate changes, net		**(3,937)**	(2,454)
Cash and cash equivalents at end of year		**439,910**	259,095
Analysis of balances of cash and cash equivalents			
Cash and bank balances	30	**486,422**	319,898
Less: Restricted bank deposits	30	**(27,318)**	(27,726)
Bank overdrafts	34	**(19,194)**	(33,077)
Cash and cash equivalents as stated in the consolidated cash flow statement		**439,910**	259,095

The notes on pages 49 to 162 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted limited company. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company is an investment holding company. The principal subsidiaries are engaged in the trading and manufacturing of toys, property investment and development, and agriculture and forestry.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below. These financial statements are presented in Hong Kong dollars and all figures are rounded to the nearest thousand ("HK$'000") unless otherwise indicated.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2.2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

2.1 STATEMENT OF COMPLIANCE *(Continued)*

Basis of preparation of the financial statements *(Continued)*

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investment properties;

— agricultural produce;

— financial assets at fair value through profit or loss;

— derivative financial instruments; and

— certain available-for-sale financial assets.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2.4(i)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2.2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

— Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*

— *Annual Improvements to HKFRSs* 2010-2012 Cycle

— *Annual Improvements to HKFRSs* 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the Amendments to HKAS 16 and HKAS 41, *Agriculture: Bearer plants*, which the Group has early adopted in the current financial period. Impacts of the early adoption of such amendments are discussed below:

Early adoption of the Amendments to HKAS 16 and HKAS 41, *Agriculture: Bearer Plants*

In prior years, the Group's biological assets were measured at fair value less costs to sell. Under the Amendments to HKAS 16 and HKAS 41, bearer plants, being living plants which are used in the production or supply of agricultural produce, and which have a remote likelihood of being sold as agricultural produce (except for incremental scrap sales), are now in the scope of HKAS 16, *Property, plant and equipment* instead of HKAS 41, *Agriculture*. As a result of the early adoption of such Amendments, the Group has changed its accounting policy for bearer plants, which are now measured at cost less accumulated depreciation and impairment losses (see note 2.4(g)). The produce growing on bearer plants continue to be accounted for under HKAS 41 and are measured at fair value less costs to sell (see note 2.4(j)). The change in accounting policy has been adopted retrospectively, except that, in accordance with the transitional provisions of the Amendments, the Group has elected to measure the bearer plants at their fair value at the beginning of the earliest period presented (1 January 2014). As a result, the early adoption of such Amendments has no material impact on the financial position of the Group as at 1 January 2014 and no restated consolidated statement of financial position at 1 January 2014 is presented.

2.2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Effect of the early adoption of the Amendments to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014:

	As previously reported $'000	Effect of the early adoption of the Amendments to HKAS 16 and HKAS 41 $'000	As restated $'000
Other income and gains, net			
— Fair value loss on biological assets	(8,489)*	8,489	—
— Write-off of biological assets – bearer plants	(18,656)*	11,164	(7,492)
— Other items	144,868	1,274	146,142
	117,723	20,927	138,650
Administrative expenses	(408,812)	(30,050)	(438,862)
Profit for the year	189,641	(9,123)	180,518
Profit attributable to equity shareholders of the Company	198,903	(9,123)	189,780
Other comprehensive income:			
Exchange differences on translation of operations outside Hong Kong	(76,792)	(78)	(76,870)
Total comprehensive income attributable to equity shareholders of the Company	134,848	(9,201)	125,647
Earnings per share — Basic	3.4 cents**	(0.2 cents)	3.2 cents
Earnings per share — Diluted	2.2 cents**	(0.2 cents)	2.0 cents

* Fair value loss on biological assets and write-off of biological assets previously reported as separate line items in the consolidated statement of profit or loss were reclassified to other income and gains, net in 2015.

** As adjusted as if the Company's Share Sub-division had been effective as at 1 January 2014 (see notes 11 and 39(a)).

2.2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Effect of the early adoption of the Amendments to the consolidated statement of financial position as at 31 December 2014:

	As previously reported $'000	Effect of the early adoption of the Amendments to HKAS 16 and HKAS 41 $'000	As restated $'000
Biological assets — bearer plants	107,659	(9,201)	98,458
Reserves	4,557,570	(9,201)	4,548,369
Total equity attributable to equity shareholders of the Company	4,653,225	(9,201)	4,644,024

Effect of the early adoption of the Amendments to the consolidated cash flow statement for the year ended 31 December 2014:

	As previously reported $'000	Effect of the early adoption of the Amendments to HKAS 16 and HKAS 41 $'000	As restated $'000
Net cash used in operating activities	(17,699)	(10,789)	(28,488)
Net cash used in investing activities	(802,252)	10,789	(791,463)

(Expressed in Hong Kong dollars)

2.3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to Group.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application and is not yet in a position to conclude whether the adoption of them will have a significant impact on the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 2.4(o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2.4(l)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2.4(b)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2.4(e)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2.4(i)).

(b) Investments in associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses (see note 2.4(n)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2.4(i)).

The Group's share of the post-acquisition results and other comprehensive income of associates is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change in net assets recognised directly in the equity of the associate, the Group recognises its share of any changes in net assets, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Business combinations and goodwill

Business combinations, other than combinations of businesses under common control, are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2.4(u). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2.4(u).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and the fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of the consideration transferred, the amount recognised for non-controlling interests and the fair value the Group's previously held equity interests in the acquiree is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units). An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Fair value measurement

The Group measures its investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

— Level 1, based on quoted prices (unadjusted) in active markets for identical assets or liabilities

— Level 2, based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

— Level 3, based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Impairment of non-financial assets

Where an indication of impairment exist for property, plant and equipment, prepaid land lease payments, construction in progress, goodwill, properties under development, bearer plants and investments in subsidiaries in the Company's statement of financial position, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made in respect of assets other than goodwill at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

(f) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Related parties *(Continued)*

(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); and

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

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

(g) Property, plant and equipment (including bearer plants) and depreciation

Property, plant and equipment (including bearer plants), other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Certain land and buildings are stated in the consolidated statement of financial position at amounts based on revaluations performed prior to 30 September 1995, less subsequent accumulated depreciation and amortisation and any impairment losses.

(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment (including bearer plants) and depreciation *(Continued)*

In accordance with the transitional provisions of paragraph 80A of HKAS 16, *Property, plant and equipment*, the Group's land and buildings which were carried at revalued amounts in the financial statements relating to periods ended before 30 September 1995 are not required to be revalued regularly. Accordingly, no revaluation of land and buildings is carried out subsequent to 30 September 1995. In previous years, the revaluation surplus arising on the revaluation of these assets was credited to the land and buildings revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

—	Leasehold land and buildings	Over the shorter of the lease terms and 2% to 5%
—	Furniture and leasehold improvements	Over the shorter of the lease terms, where applicable, and 20%
—	Machinery and equipment	10% to 25%
—	Moulds and tools	20% to 25%
—	Motor vehicles and vessels	20% to 25%
—	Bearer plants	2% to 5%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents properties under construction and bearer plants before maturity, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment (including bearer plants) and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as a movement in the land and buildings revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. On disposal of a revalued asset, the relevant portion of the land and buildings revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than deferred tax assets, financial assets (other than investments in subsidiaries and associates) and investment properties) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Agricultural produce

Agricultural produce comprises winter date, lychee, pear, apple and other fruits on fruit trees.

Winter date, lychee, pear, apple and other fruits harvested from fruit trees are measured at their fair values less costs to sell at the time of harvest. The fair values of winter date, lychee, pear, apple and other fruits are determined based on market prices in the local area. Such measurement is the cost at that date when applying HKAS 2, *Inventories*.

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in profit or loss for the period in which it arises.

Fair value represents the estimated selling price that the Group can obtain from selling such inventories in the market on an arm's length basis.

(k) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Investments and other financial assets

(i) *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss for which attributable transaction costs are recognised in profit or loss as incurred.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade receivables, deposits and other receivables, advances to associates, financial assets at fair value through profit or loss, available-for-sale financial assets and amounts due from non-controlling shareholders of subsidiaries and affiliates.

(ii) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value presented in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

(iii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Investments and other financial assets *(Continued)*

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

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial assets revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale financial assets revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted available-for-sale financial assets cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such assets are stated at cost less any impairment losses.

For a financial asset classified as available-for-sale that would have met the definition of loans and receivables (if it had not been designated as available-for-sale), the Group may reclassify these financial assets as loans and receivables if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

— the rights to receive cash flows from the asset have expired; or

— the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(n) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of financial assets *(Continued)*

(i) *Financial assets carried at amortised cost (Continued)*

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

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

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

(ii) *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

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

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an asset or a group of assets is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is reclassified from other comprehensive income and recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of financial assets *(Continued)*

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

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss is reclassified from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

(iv) *Investments in associates*

For investments in associates accounted for under the equity method in the consolidated financial statements (see note 2.4(b)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2.4(e). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2.4(e).

(v) *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2.4(n)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Financial liabilities

(i) *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, financial liability included in other non-current liabilities and amounts due to non-controlling shareholders of subsidiaries and an associate.

(ii) *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

(iii) *Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Derecognition of financial liabilities

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

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

(q) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(r) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

(s) Inventories

(i) *Trading and manufacturing of goods*

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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 write-down 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Inventories *(Continued)*

(ii) *Property development*

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2.4(y)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— Completed property held for resale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(t) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditure expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

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

The Group carries a provision for severance payment in accordance with the relevant regulations in Mainland China. Compensation payable to employees upon termination of the employment contracts therewith are charged to the provision when incurred.

(v) Income tax

Income tax comprises current and deferred taxes. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

— when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of taxable temporary differences associated with interests in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and unused tax losses carried forward. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the unused tax credits and unused tax losses can be utilised, except:

— when the deferred tax asset relating to the deductible temporary differences which arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of deductible temporary differences associated with interests in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) service income and management fee income, when services are rendered;

(c) rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

(x) Employee benefits

(i) *Contributions to defined contribution retirement plans*

The Group operates a defined contribution staff retirement scheme registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") for certain employees (including certain directors), the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the ORSO Scheme. When an employee leaves the ORSO Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

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

Employees who joined the Group before 1 December 2000 had the option to join either one of the schemes. Employees who joined the Group on or after 1 December 2000 are only eligible to join the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central defined contribution retirement scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central defined contribution retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central defined contribution retirement scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits *(Continued)*

(ii) *Share-based payment transactions*

— Share option scheme and share award scheme

The Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants of the Company's own equity instruments is measured by reference to the fair value at the date at which they are granted. The fair value of share options and awarded shares granted to employees in an equity-settled share-based payment transaction is recognised as an employment cost with a corresponding increase in the employee share-based compensation reserve within equity. In respect of share options, the fair value is measured at grant date using a trinomial model, taking into account the terms and conditions upon which the options were granted (further details of which being set out in note 40 to the financial statements). In respect of awarded shares, the fair value is based on the closing price at the grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options and awarded shares, the total estimated fair value of the share options and awarded shares is spread over the vesting period, taking into account the probability that the share options and awarded shares will vest. Where awarded shares are not the shares in the Company or its group entity, the grant of such shares does not constitute a share-based payment arrangement, and is accounted for as a financial liability.

During the vesting period, the number of share options and awarded shares that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options and awarded shares that are vested (with a corresponding adjustment to the employee share-based compensation reserve).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The equity amount for the share options is recognised in the employee share-based compensation reserve until either the option is exercised (whereupon it is transferred to share capital and the share premium account) or the option expires (whereupon it is released directly to retained profits).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits *(Continued)*

(ii) *Share-based payment transactions* (Continued)

— Shares held for Share Award Scheme

Where the shares of the Company are acquired under the Share Award Scheme, the consideration paid, including any directly attributable incremental costs, is presented as "shares held for Share Award Scheme" and deducted from total equity.

When the awarded shares are transferred to the awardees upon vesting, the related weighted average costs of the awarded shares vested are credited to "shares held for Share Award Scheme" and the related employment costs of the awarded shares vested are debited to the employee share-based compensation reserve. The difference between the related weighted average cost and the related employment costs of the awarded shares is transferred to retained profits.

Where the shares held for Share Award Scheme are revoked and the revoked shares are disposed of, the related gain or loss from disposal of revoked shares is transferred to retained profits and not recognised in profit or loss.

Where cash or non-cash dividend distribution is declared in respect of the shares held for Share Award Scheme, such cash dividend or fair value of the non-cash dividend is transferred to retained profits with no gain or loss recognised in the statement of profit or loss.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(z) Dividends and distributions

Final dividends and distributions proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends and distributions have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(aa) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(aa) Foreign currencies *(Continued)*

The functional currencies of certain subsidiaries and associates outside Hong Kong are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of an operation outside Hong Kong, the component of other comprehensive income relating to that particular operation is recognised in profit or loss.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(cc) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 2.4(o)(ii) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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, are discussed below.

(i) Estimation of fair value of investment properties and investment properties presented as non-current assets classified as held for sale

At the end of each reporting period, investment properties and investment properties presented as non-current assets classified as held for sale are stated at fair value based on the valuations performed by an independent professionally qualified valuer. Such valuations were based on certain assumptions and estimates, which are subject to uncertainty and might materially differ from the actual results. In making estimation, information from current prices in an active market for similar properties has been considered and assumptions that are mainly based on the existing market conditions have been applied. Further details, including the key assumptions used for fair value measurement of investment properties and investment properties presented as non-current assets classified as held for sale, are given in notes 13 and 31, respectively, to the financial statements.

(ii) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indications of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers were to deteriorate such that the actual impairment loss is higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. Further details are given in note 24 to the financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(iv) Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale financial assets and recognises movements of their fair values in other comprehensive income. When the fair value declines, management makes assumptions about the decline in value to determine whether there is any impairment that should be recognised in profit or loss. For the year ended 31 December 2015, an impairment loss of $60,000 (2014: Nil) has been recognised for available-for-sale financial assets. The carrying amount of available-for-sale financial assets at 31 December 2015 was $74,018,000 (2014: $71,417,000). Further details are given in note 19 to the financial statements.

(v) Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(vi) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. The estimates could change significantly as a result of changes in customer preferences and competitor actions. Management reassesses these estimates at the end of each reporting period.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the trading and manufacturing segment is engaged in trading and manufacturing of merchandises including toys, footwear products and leather products;

(b) the property investment and development segment is engaged in property investment and development;

(c) the agriculture and forestry segment is engaged in the cultivation of fruit trees and crops, rearing of livestock and aquatic products, forestation and sale of relevant agricultural products; and

(d) the investment holding segment comprises, principally, the Group's investment holding related management functions.

4 OPERATING SEGMENT INFORMATION *(Continued)*

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that share of profits and losses of associates, impairment of advances to associates (and reversals thereof) and finance costs are excluded from such measurement.

Segment assets exclude investments in associates and tax recoverable as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2015 and 2014.

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000 (Restated)	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000 (Restated)
Segment revenue										
External sales	**3,208,626**	3,014,883	**180,247**	128,955	**17,628**	15,951	**—**	—	**3,406,501**	3,159,789
Segment results	**92,486**	39,568	**456,315**	261,365	**(72,711)**	(96,564)	**(140,538)**	(73,129)	**335,552**	131,240
Reconciliation:										
— Share of profits and losses of associates	**79**	1,471	**18,000**	174,787	**—**	—	**800**	—	**18,879**	176,258
— Reversal of impairment/(impairment) of advances to associates, net	**(8)**	(22)	**—**	—	**—**	—	**435**	—	**427**	(22)
— Finance costs									**(117,163)**	(94,298)
Profit before tax									**237,695**	213,178

4 OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

		Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	Note	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000 (Restated)	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000 (Restated)
Segment assets		**1,534,850**	1,414,605	**9,471,985**	8,265,389	**189,000**	216,660	**186,709**	216,315	**11,382,544**	10,112,969
Reconciliation:											
— Investments in associates		**12,102**	12,398	**3,883**	3,883	**—**	—	**—**	—	**15,985**	16,281
— Tax recoverable										**41,690**	27,766
Total assets										**11,440,219**	10,157,016
Segment liabilities		**2,232,099**	1,628,397	**2,494,181**	2,501,243	**20,199**	16,552	**33,494**	138,251	**4,779,973**	4,284,443
Reconciliation:											
— Tax payable										**51,744**	44,557
— Deferred tax liabilities										**832,001**	803,562
Total liabilities										**5,663,718**	5,132,562
Other segment information:											
Capital expenditure		**24,353**	29,934	**99,894**	77,138	**34,029**	69,968	**340**	351	**158,616**	177,391
Depreciation and amortisation		**36,207**	40,339	**5,280**	4,068	**53,662**	57,039	**184**	158	**95,333**	101,604
Provision for inventories, net	6	**16,993**	13,593	**—**	—	**—**	—	**—**	—	**16,993**	13,593
Impairment loss on trade receivables, net	6 & 24	**598**	1,011	**180**	—	**—**	—	**—**	—	**778**	1,011
(Reversal of impairment loss on)/write-off of other receivables	6	**—**	28	**(1,610)**	29	**—**	—	**—**	—	**(1,610)**	57
Write-off of bearer plants	5	**—**	—	**—**	—	**—**	7,492	**—**	—	**—**	7,492
Impairment loss on other receivables	5	**—**	—	**—**	9,804	**—**	—	**—**	—	**—**	9,804
Impairment loss on property, plant and equipment	5 & 12	**1,904**	275	**—**	—	**—**	—	**—**	—	**1,904**	275

Capital expenditure consists of the amounts incurred for the additions to property, plant and equipment, investment properties, investment property under construction, prepaid land lease payments, construction in progress, available-for-sale financial assets and bearer plants, including the deposits and amounts prepaid for the above, and cash payments for acquisition of subsidiaries.

4 OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

(i) *Revenue from external customers*

	2015 $'000	2014 $'000
PRC including Hong Kong and Macau	**406,159**	359,798
The United States of America	**1,706,498**	1,731,995
Europe	**668,745**	557,490
Japan	**26,665**	32,071
Others	**598,434**	478,435
	3,406,501	3,159,789

The revenue information above is based on the destination to which goods and services are delivered.

(ii) *Non-current assets*

	2015 $'000	2014 $'000 (Restated)
Hong Kong	**2,041,809**	1,874,063
Mainland China	**5,091,360**	5,209,681
Others	**4,794**	6,310
	7,137,963	7,090,054

The non-current assets information above is based on the location of assets, and excludes available-for-sale financial assets and investments in associates.

(iii) *Information about major customers with revenue derived from whom amounted to 10% of the Group's revenue or above*

Revenue of approximately $679 million (2014: $1,025 million), $447 million (2014: $517 million) and $425 million (2014: N/A) respectively, were derived from sales by the trading and manufacturing segment to three (2014: two) major customers.

5 REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, the value of services rendered and gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains, net is as follows:

	Note	2015 $'000	2014 $'000 (Restated)
Revenue			
Sale of merchandise from manufacturing and trading businesses		**3,208,626**	3,014,883
Rental income		**180,247**	128,955
Sale of agricultural products		**17,628**	15,951
		3,406,501	3,159,789
Other income			
Bank interest income		**321**	518
Interest income from related companies	46	**8,658**	107,901
Other interest income		**110**	15
Others		**21,774**	31,421
		30,863	139,855
Other (losses)/gains, net			
Write-back of other payables		**15**	13,587
Impairment loss on other receivables		**—**	(9,804)
(Loss)/gain on disposal of items of property, plant and equipment		**(4,898)**	128
Gain on disposal of financial assets at fair value through profit or loss		**215**	9,875
Loss on disposal of bearer plants		**—**	(8,342)
Impairment loss on available-for-sale investments		**(60)**	—
Impairment loss on property, plant and equipment	12	**(1,904)**	(275)
Write-off of bearer plants		**—**	(7,492)
Others		**3,092**	1,118
		(3,540)	(1,205)
		27,323	138,650

6 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Note	2015 $'000	2014 $'000 (Restated)
Cost of inventories sold		**2,885,451**	2,762,321
Depreciation	12 & 18	**47,824**	52,239
Amortisation of prepaid land lease payments	14	**47,509**	49,365
Auditor's remuneration:			
— audit services		**3,174**	2,794
— non-audit services		**406**	6
		3,580	2,800
Employee benefits expenses (including directors' remuneration (note 8)):			
Contributions to defined contribution retirement schemes*		**80,317**	70,636
Equity-settled share award expense		**7,514**	2,127
Salaries, wages and other benefits		**1,074,733**	972,888
		1,162,564	1,045,651
Less: Employee benefits expenses capitalised to properties under development:			
Contributions to defined contribution retirement scheme		**(68)**	—
Salaries, wages and other benefits		**(6,070)**	—
		1,156,426	1,045,651
Operating lease rental in respect of land and buildings		**52,702**	53,392
Gross rental income from investment properties inclusive of investment property under construction and investment properties presented as non-current assets classified as held for sale		**(180,247)**	(128,955)
Less: Direct operating expenses		**26,738**	21,803
Net rental income		**(153,509)**	(107,152)
Impairment loss on trade receivables, net	24	**778**	1,011
Provision for inventories, net**	22	**16,993**	13,593
(Reversal of impairment loss on)/write-off of other receivables		**(1,610)**	57
Fair value loss on foreign exchange forward contracts***	27	**56,944**	6,694
Exchange loss, net		**19,264**	11,921

* At 31 December 2015 and 2014, the Group had no forfeited contributions available to reduce its contributions to the defined contribution retirement schemes in future years.

** The amount (included in cost of sales) represents the net charge/credit recognised in respect of provision/write-back of provision against inventories to write down the inventories to their estimated net realisable values.

*** Fair value loss on foreign exchange forward contracts of $54,194,000 (2014: $5,536,000) was included in cost of sales.

7 FINANCE COSTS

An analysis of finance costs is as follows:

	Note	2015 $'000	2014 $'000
Interest on bank loans, overdrafts and other borrowings		**129,976**	107,426
Interest on advances from an associate	46	**—**	983
Other borrowing costs		**—**	18,099
		129,976	126,508
Less: Amounts capitalised:			
— Interest		**(12,813)**	(24,838)
— Other borrowing costs		**—**	(7,372)
		117,163	94,298

The borrowing costs have been capitalised at a weighted average rate of 4.07% per annum (2014: 3.18%).

8 DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2015 $'000	2014 $'000
Fees	**1,073**	854
Other emoluments:		
— Salaries, allowances and benefits in kind	**11,520**	7,508
— Discretionary bonuses	**200**	189
— Retirement scheme contributions	**450**	238
— Share awards	**963**	937
	13,133	8,872
	14,206	9,726

The Company has granted share awards to an executive director. The fair value of such share awards has been recognised in the profit or loss over the vesting period and the amount so recognised is included in the above directors' remuneration disclosure.

The details of these benefits in kind, including the principal terms and number of share awards granted, are disclosed in note 39.

8 DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015 $'000	2014 $'000
Mr. Chiu Sin Chun	100	75
Mrs. Tse Wong Siu Yin Elizabeth	100	75
Ms. Li Yuen Yu Alice	100	75
Mr. Yip Dicky Peter J.P.	280	280
Sr Dr. Leung Tony Ka Tung	120	120
Mr. Lau Lai Chiu Patrick (resigned on 10 August 2015)	73	120
	773	745

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

(b) Executive directors and non-executive directors

2015

	Fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Share awards $'000	Total remuneration $'000
Executive directors:						
Mr. Ng Hung Sang	10	1,920	—	192	—	2,122
Ms. Cheung Choi Ngor	10	3,000	—	150	—	3,160
Mr. Richard Howard Gorges	10	1,800	—	90	—	1,900
Mr. Ng Yuk Fung Peter	10	2,400	—	18	—	2,428
Mr. Law Albert Yu Kwan	10	2,400	200	—	963	3,573
	50	11,520	200	450	963	13,183
Non-executive directors:						
Ms. Ng Yuk Mui Jessica	100	—	—	—	—	100
Mr. David Michael Norman	150	—	—	—	—	150
	250	—	—	—	—	250
	300	11,520	200	450	963	13,433

8 DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors *(Continued)*

2014

	Fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Share awards $'000	Total remuneration $'000
Executive directors:						
Mr. Ng Hung Sang	10	470	—	24	—	504
Ms. Cheung Choi Ngor	10	2,040	—	120	—	2,170
Mr. Richard Howard Gorges	10	1,200	—	60	—	1,270
Mr. Ng Yuk Fung Peter	10	1,530	—	17	—	1,557
Mr. Law Albert Yu Kwan	10	2,268	189	17	937	3,421
	50	7,508	189	238	937	8,922
Non-executive directors:						
Ms. Ng Yuk Mui Jessica	50	—	—	—	—	50
Mr. David Michael Norman (appointed on 9 December 2014)	9	—	—	—	—	9
	59	—	—	—	—	59
	109	7,508	189	238	937	8,981

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

The executive directors of the Company constitute senior management of the Group.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2014: three) directors whose remuneration is set out in details in note 8 above. Details of the remuneration of the remaining one (2014: two) highest paid employees for the year are set out below:

	2015	2014
	$'000	$'000
Salaries, allowances and benefits in kind	2,952	4,329
Discretionary bonuses	1,200	520
Retirement scheme contributions	—	32
Share awards	1	479
	4,153	5,360

The remuneration of the aforesaid remaining one (2014: two) highest paid employee(s) fell within the following bands:

	Number of employees	
	2015	2014
$1,500,001 to $2,000,000	—	1
$3,500,001 to $4,000,000	—	1
$4,000,001 to $4,500,000	1	—
	1	2

The Company has granted share awards to certain highest paid employees in respect of their services to the Group. The fair value of such share awards has been recognised in profit or loss over the vesting period and the amount so recognised is included in the above highest paid employees' remuneration disclosure.

10 INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in respective countries/jurisdictions in which the Group operates.

	2015	2014
	$'000	$'000
Current — Hong Kong		
Charge for the year	**7,288**	10,651
Over-provision in prior years	**—**	(1,923)
Current — Mainland China		
Charge for the year	**14,424**	13,485
Under-provision in prior years	**—**	19
Deferred tax (note 38)	**64,328**	10,428
Total tax charge for the year	**86,040**	32,660

A reconciliation of the notional tax expense on the Group's profit before tax at the Hong Kong Profits Tax rate to the actual tax expense is as follows:

	2015	2014
	$'000	$'000
		(Restated)
Profit before tax	**237,695**	213,178
Notional tax at the Hong Kong Profits Tax rate of 16.5% (2014: 16.5%)	**39,220**	35,174
Effect of different tax rates of subsidiaries operating in Mainland China and Taiwan	**9,661**	(4,678)
Tax effect of share of profits and losses of associates	**(3,115)**	(29,208)
Tax effect of non-deductible expenses	**68,089**	65,061
Tax effect of non-taxable income	**(51,624)**	(53,637)
Adjustments for current tax in respect of previous periods	**—**	(1,904)
Tax losses utilised from previous years	**(1,223)**	(3,863)
Tax effect of unused tax losses not recognised	**24,203**	25,046
Others	**829**	669
Total tax charge for the year	**86,040**	32,660

11 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of $156,749,000 (2014 (restated): $189,780,000), and the weighted average number of ordinary shares of 5,897,771,000 (2014 (restated): 5,894,854,000) in issue less shares held for Share Award Scheme during the year. The weighted average number of shares for the purpose of calculating earnings per share for the year ended 31 December 2014 has been restated as if the Company's Share Sub-division (see note 39(a)) had been effective as at 1 January 2014.

The calculation of diluted earnings per share is based on the profit for the year attributable to equity shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2015	2014
	$'000	$'000
		(Restated)
Earnings		
Profit attributable to equity shareholders of the Company used in the basic and diluted earnings per share calculation	**156,749**	189,780

	Number of shares	
	2015	2014
	'000	'000
		(Restated)
Shares		
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the year used in the basic earnings per share calculation	**5,897,771**	5,894,854
Effect of redeemable convertible preference shares	**3,893,588**	3,348,914
Effect of shares held for Share Award Scheme	**79,503**	82,420
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**9,870,862**	9,326,188

The Company's share options have no dilution effect for the years ended 31 December 2015 and 2014 because the exercise price of the Company's share options was higher than the average market price of the shares for both years and the share options are therefore anti-dilutive.

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings $'000	Furniture and leasehold improvements $'000	Machinery and equipment $'000	Moulds and tools $'000	Motor vehicles and vessels $'000	Total $'000
Cost and valuation:						
At 1 January 2015	226,980	304,584	313,627	21,037	30,676	896,904
Exchange realignment	(2,375)	(1,406)	(3,269)	(173)	(474)	(7,697)
Additions	1,589	13,712	9,972	687	2,482	28,442
Additions through acquisition of subsidiaries (note 51)	—	190	—	—	1,780	1,970
Disposals/write-offs	—	(6,749)	(19,724)	—	(1,898)	(28,371)
Transfer from construction in progress (note 15)	804	—	—	—	—	804
Transfer to investment properties (note 13)	(19,133)	—	—	—	—	(19,133)
At 31 December 2015	207,865	310,331	300,606	21,551	32,566	872,919
Analysis of cost or valuation:						
At cost	160,356	310,331	300,606	21,551	32,566	825,410
At 31 December 1988 valuation	31,112	—	—	—	—	31,112
At 31 December 1989 valuation	5,220	—	—	—	—	5,220
At 31 December 1992 valuation	204	—	—	—	—	204
At 31 December 1994 valuation	10,973	—	—	—	—	10,973
	207,865	310,331	300,606	21,551	32,566	872,919
Accumulated depreciation and impairment:						
At 1 January 2015	121,268	252,923	252,747	18,220	26,239	671,397
Exchange realignment	(1,196)	(678)	(2,008)	(68)	(495)	(4,445)
Depreciation provided during the year (note 6)	7,085	17,136	15,263	1,926	1,606	43,016
Disposals/write-offs	—	(6,734)	(13,231)	—	(1,845)	(21,810)
Transfer to investment properties (note 13)	(16,084)	—	—	—	—	(16,084)
Impairment (note 5)	1,904	—	—	—	—	1,904
At 31 December 2015	112,977	262,647	252,771	20,078	25,505	673,978
Net book value:						
At 31 December 2015	94,888	47,684	47,835	1,473	7,061	198,941

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold land and buildings $'000	Furniture and leasehold improvements $'000	Machinery and equipment $'000	Moulds and tools $'000	Motor vehicles and vessels $'000	Total $'000
Cost and valuation:						
At 1 January 2014	237,172	288,538	307,585	19,122	30,539	882,956
Exchange realignment	(2,013)	(585)	(1,804)	(23)	(199)	(4,624)
Additions	74	17,104	12,856	1,938	1,867	33,839
Disposals/write-offs	(3)	(473)	(5,010)	—	(1,531)	(7,017)
Transfer to investment properties (note 13)	(8,565)	—	—	—	—	(8,565)
Surplus on revaluation upon transfer to investment properties	315	—	—	—	—	315
At 31 December 2014	226,980	304,584	313,627	21,037	30,676	896,904
Analysis of cost or valuation:						
At cost	179,471	304,584	313,627	21,037	30,676	849,395
At 31 December 1988 valuation	31,112	—	—	—	—	31,112
At 31 December 1989 valuation	5,220	—	—	—	—	5,220
At 31 December 1992 valuation	204	—	—	—	—	204
At 31 December 1994 valuation	10,973	—	—	—	—	10,973
	226,980	304,584	313,627	21,037	30,676	896,904
Accumulated depreciation and impairment:						
At 1 January 2014	118,460	237,745	243,523	15,382	25,422	640,532
Exchange realignment	(1,255)	(261)	(1,184)	(9)	(199)	(2,908)
Depreciation provided during the year (note 6)	10,649	15,900	15,188	2,847	2,110	46,694
Disposals/write-offs	—	(461)	(4,780)	—	(1,094)	(6,335)
Transfer to investment properties (note 13)	(6,861)	—	—	—	—	(6,861)
Impairment (note 5)	275	—	—	—	—	275
At 31 December 2014	121,268	252,923	252,747	18,220	26,239	671,397
Net book value:						
At 31 December 2014	105,712	51,661	60,880	2,817	4,437	225,507

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

In March 2015, a number of leasehold land and buildings in the trading and manufacturing segment were impaired. The Group assessed the recoverable amounts of those leasehold land and buildings and as a result the carrying amount of the leasehold land and buildings was written down in full. An impairment loss of $1,904,000 was recognised in "Other income and gains, net". The estimates of recoverable amount were based on the leasehold land and buildings' fair values less costs of disposal, using market comparison approach by reference to recent sales price of similar assets, adjusted for differences such as remaining useful lives. The fair value on which the recoverable amount is based is categorised as a Level 3 measurement.

The Group's land and buildings are situated in Hong Kong and Mainland China and are held under the following lease terms:

	2015	2014
	$'000	$'000
Leasehold land and buildings in Hong Kong:		
— Long term leases	**16,752**	17,604
— Medium term leases	**12,873**	13,250
	29,625	30,854
Buildings in Mainland China		
— Medium term leases	**65,263**	74,858
	94,888	105,712

The Group is in the process of applying the land use right certificates for certain leasehold land in Mainland China on which buildings with carrying amount of approximately $34,623,000 (2014: $36,651,000) as at 31 December 2015 were erected. The directors do not expect any legal obstacle in obtaining the relevant title certificates.

Certain of the Group's land and buildings were revalued on or before 31 December 1994. The land and buildings were revalued at open market value based on their existing use. Since 1995, no further revaluation of the Group's land and buildings has been carried out as the Group has relied on the exemption from the requirement to carry out future revaluation of its property, plant and equipment, which were stated at valuation at that time, granted under the transitional provisions in paragraph 80A of HKAS 16.

Had the land and buildings been carried at cost less accumulated depreciation and impairment losses, the net book value of the Group's land and buildings at 31 December 2015 would have been approximately $76,268,000 (2014: $86,427,000).

At 31 December 2015, certain of the Group's property, plant and equipment, including leasehold land and buildings and their corresponding prepaid land lease payments were pledged to secure the banking facilities granted to the Group (note 34).

13 INVESTMENT PROPERTIES

(a) Investment properties

	2015 $'000	2014 $'000
Carrying amount at 1 January	**6,498,488**	1,765,795
Exchange realignment	**(211,007)**	(33,828)
Transfer from property, plant and equipment (note 12)	**3,049**	1,704
Transfer from non-current assets classified as held for sale, at fair value (note 31)	**—**	473,160
Transfer from investment property under construction	**—**	3,138,677
Additions	**2,581**	6,422
Disposals	**(2,182)**	(16,905)
Distribution from an associate	**—**	1,045,600
Fair value gain	**307,089**	117,863
Carrying amount at 31 December	**6,598,018**	6,498,488

The Group's investment properties are situated in Hong Kong, Taiwan and Mainland China and are held under the following lease terms:

	2015 $'000	2014 $'000
Hong Kong:		
— Long term leases	**415,720**	386,500
— Medium term leases	**1,567,770**	1,437,850
	1,983,490	1,824,350
Taiwan:		
— Freehold	**4,794**	6,310
Mainland China:		
— Medium term leases	**4,609,734**	4,667,828
	6,598,018	6,498,488

13 INVESTMENT PROPERTIES *(Continued)*

(b) Investment property under construction

	2015	2014
	$'000	$'000
Carrying amount at 1 January	—	3,162,809
Exchange realignment	—	(70,450)
Additions	—	32,842
Interest and other borrowing costs capitalised	—	30,442
Fair value loss	—	(16,966)
Transfer to investment properties	—	(3,138,677)
Carrying amount at 31 December	—	—

The Group's investment property under construction is situated in Mainland China and is held under a medium term lease.

The Group's investment properties were revalued on 31 December 2015 by BMI Appraisals Limited, an independent professionally qualified valuer, at $6,598,018,000 (2014: $6,498,488,000) in aggregate, on an open market, existing use basis. Such investment properties are leased or available for lease to third parties under operating leases. Details about such operating lease arrangements are included in note 44(a) to the financial statements.

At 31 December 2015, certain investment properties of the Group were pledged and mortgaged to secure the banking facilities granted to the Group (note 34).

As 31 December 2015, certain investment properties of the Group with an aggregate value of $94,168,000 (2014: $92,160,000) were pledged to secure the employees resettlement reserve funds (included in provision for severance payments (note 37)) for certain subsidiaries of the Group.

The Group is in the process of applying the land use right certificates in respect of certain investment properties of the Group located in Mainland China amounting to approximately $1,246,266,000 as at 31 December 2015 (2014: $1,264,951,000). The directors do not expect any legal obstacle in obtaining the relevant title certificates.

At the end of each reporting period, the Group's management has discussion with the valuer on the valuation methodology and valuation results when the valuation is performed for financial reporting purposes. The investment properties comprised commercial and industrial properties.

Further particulars of the Group's investment properties are included on pages 164 to 170.

13 INVESTMENT PROPERTIES *(Continued)*

(c) Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1) $'000	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Fair value at 31 December 2015 $'000**
Recurring fair value measurement for:				
Commercial properties	**—**	**—**	**6,029,038**	**6,029,038**
Industrial properties	**—**	**—**	**568,980**	**568,980**
	—	**—**	**6,598,018**	**6,598,018**

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Fair value at 31 December 2014 $'000
Recurring fair value measurement for:				
Commercial properties	—	—	5,962,584	5,962,584
Industrial properties	—	—	535,904	535,904
	—	—	6,498,488	6,498,488

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

13 INVESTMENT PROPERTIES *(Continued)*

(c) Fair value hierarchy *(Continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties $'000	**Industrial properties** $'000
At 1 January 2015	5,962,584	535,904
Exchange realignment	(202,914)	(8,093)
Transfer from property, plant and equipment (note 12)	3,049	—
Additions	2,581	—
Disposals	(2,182)	—
Fair value gain	265,920	41,169
At 31 December 2015	6,029,038	568,980
At 1 January 2014	4,515,340	413,264
Exchange realignment	(100,407)	(3,871)
Transfer from property, plant and equipment (note 12)	1,704	—
Transfer from non-current assets classified as held for sale (note 31)	398,560	74,600
Additions	39,264	—
Disposals	(16,905)	—
Distribution from an associate	1,045,600	—
Interest and other borrowing costs capitalised	30,442	—
Fair value gain	48,986	51,911
At 31 December 2014	5,962,584	535,904

(Expressed in Hong Kong dollars)

13 INVESTMENT PROPERTIES *(Continued)*

(c) Fair value hierarchy *(Continued)*

Below is a summary of the valuation techniques and the key inputs used in the valuation of the Group's investment properties within Level 3 of the fair value hierarchy:

Properties	Valuation techniques	Rental rate/Unit price	Capitalisation rate
Situated in Hong Kong			
— Commercial	Investment approach	$16–$181 per square foot (2014: $14–$165 per square foot)	2.8%–3% (2014: 2.8%–3%)
— Industrial	Investment approach	$6.1–$6.5 per square foot (2014: $5.5–$6 per square foot)	2.8%–3.0% (2014: 2.9%–3.1%)
Situated in Mainland China			
— Commercial	Investment approach	RMB9–RMB365 per square metre (2014: RMB8–RMB350 per square metre)	5.0%–12.5% (2014: 4.0%–12.5%)
— Commercial	Comparison approach	RMB10,000–RMB59,200 per square metre (2014: RMB11,000–RMB35,500 per square metre)	N/A (2014: N/A)
— Industrial	Investment approach	RMB3–RMB11 per square metre (2014: RMB3–RMB10 per square metre)	7.0%–8.0% (2014: 7.0%–8.0%)
Situated in Taiwan			
— Commercial	Comparison approach	TWD36,200–TWD42,800 per square metre (2014: TWD29,000–TWD37,000 per square metre)	N/A (2014: N/A)

Under the investment approach, the properties are valued by taking into account the current rents passing or the hypothetical rents and the reversionary potential of the tenancies if the properties have been or would be leased to tenants.

Under the comparison approach, the properties are valued on market basis assuming sales in their existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets. Appropriate adjustments are then made to account for the differences between such properties and their respective comparables in terms of age, time, location, floor level and other relevant factors.

Fair values of investment properties will increase if there were increases in rental rate or unit price, or a decrease in capitalisation rate.

14 PREPAID LAND LEASE PAYMENTS

	2015 $'000	2014 $'000 (Restated)
Carrying amount at 1 January	**120,561**	106,435
Exchange realignment	**(3,282)**	(1,519)
Additions	**31,148**	65,010
Amortisation charged to profit or loss during the year (note 6)	**(47,509)**	(49,365)
Carrying amount at 31 December	**100,918**	120,561
Current portion included in prepayments, deposits and other receivables	**(15,104)**	(22,542)
Non-current portion	**85,814**	98,019

The Group's leasehold land is situated in Mainland China, and is held under the following lease terms:

	2015 $'000	2014 $'000
Long term leases	**34,662**	34,923
Medium term leases	**66,256**	85,638
	100,918	120,561

15 CONSTRUCTION IN PROGRESS

	2015 $'000	2014 $'000
Carrying amount at 1 January	**131,922**	127,770
Exchange realignment	**(5,609)**	(2,802)
Additions	**1,802**	5,186
Transfer to property, plant and equipment (note 12)	**(804)**	—
Write-off	**(644)**	—
Interest capitalised	**1,240**	1,768
Carrying amount at 31 December	**127,907**	131,922

At 31 December 2014, certain construction in progress of the Group were pledged to secure the banking facilities granted to the Group (note 34). The security has been released during the current reporting period.

16 INVESTMENTS IN SUBSIDIARIES

The Company has set up a trust for the purpose of administering the Share Award Scheme established by the Company in 2011. The Company is required to consolidate the trust as the Company has the power over the trust and can derive benefits from the contributions of employees who have been awarded the awarded shares through their employment with the Group.

Shares of certain indirect wholly-owned subsidiaries of the Company were pledged and mortgaged to secure the banking facilities granted to the Group (note 34).

Details of the principal subsidiaries are included on pages 159 to 162.

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2015	2014
	%	%
Percentage of equity interest held by non-controlling equity holders:		
— 遼寧長盛置業有限公司	**20%**	20%
Profit for the year allocated to non-controlling interests:		
— 遼寧長盛置業有限公司	**14,078**	925
Accumulated balances of non-controlling interests at the reporting dates:		
— 遼寧長盛置業有限公司	**341,233**	349,198

The following table illustrates the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations.

	2015 遼寧長盛置業有限公司 $'000	2014 遼寧長盛置業有限公司 $'000
Revenue	**33,916**	28,836
Profit for the year	**70,388**	4,626
Other comprehensive income for the year	**(110,212)**	(53,469)
Total comprehensive income for the year	**(39,824)**	(48,843)
Current assets	**94,808**	80,814
Non-current assets	**3,095,433**	3,139,105
Current liabilities	**(231,392)**	(276,499)
Non-current liabilities	**(561,700)**	(538,731)
Net cash used in operating activities	**(31,022)**	(19,465)
Net cash generated from/(used in) investing activities	**10**	(32,691)
Net cash generated from financing activities	**27,567**	55,350
Net (decrease)/increase in cash and cash equivalents	**(3,445)**	3,194

16 INVESTMENTS IN SUBSIDIARIES *(Continued)*

As disclosed in the announcement of the Company dated 17 January 2013, the acquisition of the entire issued share capital of Splendor Sheen Limited was completed on 16 January 2013. The principal subsidiary of Splendor Sheen Limited is 遼寧長盛置業有限公司 (formerly 遼寧大發房地產有限責任公司) which is owned as to 80% by Splendor Sheen Limited and 20% by the non-controlling shareholders (the "Non-controlling Shareholders").

Two agreements dated 27 December 2011 and 28 October 2012, respectively, were signed by the shareholders of 遼寧長盛置業有限公司. Pursuant to the aforesaid agreements, the parties thereto agreed to make additional pro-rata capital contribution to 遼寧長盛置業有限公司 with reference to respective parties' equity ownership percentage in 遼寧長盛置業有限公司 in the aggregate amounts of RMB608,000,000 for the Group and RMB152,000,000 for the Non-controlling Shareholders. Up to 31 December 2015, the Group has injected approximately RMB557,447,000 (up to 31 December 2014: approximately RMB531,678,000), equivalent to approximately $690,982,000 (up to 31 December 2014: equivalent to approximately $658,700,000), in aggregate to 遼寧長盛置業有限公司 under the capital contribution obligation as referred to in the above. The Non-controlling Shareholders, however, have not made any payment for their respective additional capital contribution obligations up to 31 December 2015. As such, the abovementioned outstanding capital contributions from the Non-controlling Shareholders have not been recognised in equity as non-controlling interests in 遼寧長盛置業有限公司 of $349,198,000 and $341,233,000 as carried in the consolidated statement of financial position as at 31 December 2014 and 2015, respectively.

17 INVESTMENTS IN ASSOCIATES

	2015	2014
	$'000	$'000
Share of net assets:		
— Unlisted associates	**15,550**	16,281
Advances to associates	**57,869**	57,861
Provision for impairment#	**(57,434)**	(57,861)
	435	—
	15,985	16,281

An impairment was recognised for the advances to an associate as the associate has incurred recurring losses in prior years and its future profit stream is uncertain.

17 INVESTMENTS IN ASSOCIATES *(Continued)*

The advances to associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, advances to associates with carrying amount before provision of $57,869,000 (2014: $57,861,000) are not repayable within twelve months from the end of the reporting period and, accordingly, such advances are classified in the consolidated statement of financial position as non-current assets.

The movement in the provision for impairment of advances to associates is as follows:

	2015	2014
	$'000	$'000
At 1 January	**57,861**	57,839
(Reversal of impairment)/impairment loss recognised	**(427)**	22
At 31 December	**57,434**	57,861

The associates of the Group are not individually material, and the following table illustrates the aggregate financial information of the associates:

	2015	2014
	$'000	$'000
Share of the associates' profit for the year	**18,879**	176,258
Share of the associates' other comprehensive income	**(519)**	(271)
Share of the associates' total comprehensive income	**18,360**	175,987
Dividend received from the associates	**19,091**	1,933,266
Aggregate carrying amount of the Group's share of net assets of the associates	**15,550**	16,281

18 BEARER PLANTS

Movements of bearer plants by principal category of the Group are as follows:

	Lychee trees $'000	Pear trees $'000	Winter date trees $'000	Apple trees $'000	Others $'000	Total $'000
Cost:						
At 1 January 2015	19,757	16,568	16,957	32,399	17,486	103,167
Exchange realignment	(876)	(735)	(752)	(1,437)	(776)	(4,576)
Additions	—	449	39	25	40	553
At 31 December 2015	18,881	16,282	16,244	30,987	16,750	99,144
Accumulated depreciation and impairment:						
At 1 January 2015	549	924	1,238	1,244	754	4,709
Exchange realignment	(41)	(70)	(92)	(92)	(59)	(354)
Depreciation provided during the year (note 6)	541	935	1,222	1,226	884	4,808
At 31 December 2015	1,049	1,789	2,368	2,378	1,579	9,163
Net book value:						
At 31 December 2015	17,832	14,493	13,876	28,609	15,171	89,981
Cost:						
At 1 January 2014	20,207	16,450	17,266	44,622	25,417	123,962
Exchange realignment	(450)	(366)	(384)	(935)	(526)	(2,661)
Additions	—	484	75	6	317	882
Disposals/write-offs	—	—	—	(11,294)	(7,722)	(19,016)
At 31 December 2014	19,757	16,568	16,957	32,399	17,486	103,167
Accumulated depreciation and impairment:						
At 1 January 2014	—	—	—	—	—	—
Exchange realignment	(3)	(5)	(6)	(6)	(4)	(24)
Depreciation provided during the year (note 6)	552	929	1,244	1,679	1,141	5,545
Disposals/write-offs	—	—	—	(429)	(383)	(812)
At 31 December 2014	549	924	1,238	1,244	754	4,709
Net book value:						
At 31 December 2014	19,208	15,644	15,719	31,155	16,732	98,458

18 BEARER PLANTS *(Continued)*

Quantities of fruit trees:

	2015 Number of trees ’000	2014 Number of trees ’000
Lychee trees	**209**	215
Pear trees	**518**	322
Winter date trees	**205**	213
Apple trees	**219**	197
Others	**1,688**	2,069
	2,839	3,016

The fair value less costs to sell of the Group’s agricultural produce as at 31 December 2015 and 2014 is not material.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 $’000	2014 $’000
Club debentures, at fair value	**73,994**	71,392
Unlisted equity investments, at cost	**24**	25
	74,018	71,417

The above investments consist of the investments in unlisted equity securities and club debentures which were designated as available-for-sale financial assets.

The fair value gain in respect of the Group’s club debentures recognised in other comprehensive income during the year amounted to $2,602,000 (2014: fair value loss of $272,000).

The directors consider that the fair value of the unlisted equity investments cannot be measured reliably given the absence of market information for companies of similar nature and scale and the probabilities of the various estimates to be used in estimating fair value cannot be reasonably assessed. As such, the unlisted equity investments are carried at cost less impairment losses, if any.

As at 31 December 2014, certain available-for-sale financial assets of the Group were pledged to secure the banking facilities granted to the Group (note 34). The security has been released during the current reporting period.

20 PREPAYMENTS AND DEPOSITS

Non-current prepayments and deposits are neither past due nor impaired. As at 31 December 2014, certain of the prepayments and deposits of the Group were pledged to secure the banking facilities granted to the Group (note 34). The security has been released during the current reporting period.

21 GOODWILL

	2015 $'000	2014 $'000
Carrying amount at 1 January	**3,171**	3,219
Exchange realignment	**(130)**	(48)
At 31 December	**3,041**	3,171
At 31 December:		
Cost	**6,541**	6,671
Accumulated impairment	**(3,500)**	(3,500)
Net carrying amount	**3,041**	3,171

The amount of goodwill arising from the acquisition of subsidiaries prior to the adoption of the Group's current accounting policy on business combination, which is included in goodwill reserve in the consolidated reserves, was $3,067,000 (2014: $3,067,000) as at 31 December 2015.

As at 31 December 2014, certain goodwill of the Group was pledged as part of the charges over all the assets of certain subsidiaries of the Group, to secure the banking facilities granted to the Group (note 34). The security has been released during the current reporting period.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

— Property investment and development cash-generating unit; and

— Toy manufacturing and trading cash-generating unit

21 GOODWILL *(Continued)*

Property investment and development cash-generating unit

The recoverable amount of the property investment and development cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to cash flow projections is 18% (2014: 12%). Cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2014: 3%) which is estimated on the basis of the long term average growth rate of the property investment and development industry.

Toy manufacturing and trading cash-generating unit

The recoverable amount of the toy manufacturing and trading cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to cash flow projections is 8% (2014: 12%). Cash flows beyond the five-year period are extrapolated using a growth rate of 4% (2014: 4%) which is estimated on the basis of the long term average growth rate of the toy manufacturing and trading industry.

The net carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2015 $'000	2014 $'000
Cash-generating units:		
Property investment and development	**1,667**	1,797
Toy manufacturing and trading	**1,374**	1,374
	3,041	3,171

22 INVENTORIES

	2015 $'000	2014 $'000
Raw materials	**128,683**	130,515
Work in progress	**85,249**	86,535
Finished goods	**177,419**	193,471
	391,351	410,521
Provision against obsolete inventories	**(49,356)**	(46,917)
	341,995	363,604

22 INVENTORIES *(Continued)*

The movements in provision against obsolete inventories are as follows:

	2015 $'000	2014 $'000
At 1 January	**46,917**	39,986
Exchange realignment	**(534)**	(297)
Provision (note 6)	**16,993**	13,593
Amount utilised	**(14,020)**	(6,365)
At 31 December	**49,356**	46,917

As at 31 December 2015, certain inventories of the Group were pledged to secure the banking facilities granted to the Group (note 34).

23 PROPERTIES UNDER DEVELOPMENT

	2015 $'000	2014 $'000
Carrying amount at 1 January	**—**	—
Exchange realignment	**(19,709)**	—
Additions through acquisition of subsidiaries (note 51)	**956,067**	—
Additions	**96,143**	—
Interest capitalised	**11,573**	—
Carrying amount at 31 December	**1,044,074**	—

The Group's properties under development is situated in Mainland China, and is held under the following lease terms:

	2015 $'000	2014 $'000
Medium term leases	**1,044,074**	—

The amount of properties under development expected to be recovered after more than one year is $1,044,074,000 (2014: Nil).

Further particulars of the Group's properties under development are included on page 170.

24 TRADE RECEIVABLES

	2015 $'000	2014 $'000
Trade receivables	445,153	480,536
Provision for impairment	(64,647)	(64,489)
	380,506	416,047

The Group's trading terms with its customers are mainly on credit with credit periods normally ranging from one to three months depending on a number of factors including trade practice, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor credit risk. Overdue balances are reviewed regularly by the senior management. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 49 to the financial statements. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An ageing analysis of trade receivables net of provision for impairment as at the end of the reporting period based on invoice date is as follows:

	2015 $'000	2014 $'000
Within 90 days	306,895	378,918
91 to 180 days	52,639	19,398
181 to 365 days	11,365	12,365
Over 365 days	9,607	5,366
	380,506	416,047

The movements in provision for impairment of trade receivables are as follows:

	2015 $'000	2014 $'000
At 1 January	64,489	65,303
Exchange realignment	(416)	(205)
Impairment loss provision (note 6)	778	1,011
Amount written off as uncollectible	(204)	(1,620)
At 31 December	64,647	64,489

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of $64,647,000 (2014: $64,489,000) with an aggregate carrying amount before provision of $64,647,000 (2014: $64,489,000). The individually impaired trade receivables relate to customers that were in financial difficulties or with whom there were trade disputes. The Group does not hold any collateral or other credit enhancements over these balances.

24 TRADE RECEIVABLES *(Continued)*

Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2015 $'000	2014 $'000
Neither past due nor impaired	**211,128**	237,304
Less than 1 month past due	**89,540**	104,648
1 to 3 months past due	**57,500**	47,510
4 to 6 months past due	**8,643**	8,878
7 to 12 months past due	**5,525**	12,376
Over 1 year past due	**8,170**	5,331
	169,378	178,743
	380,506	416,047

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2014, certain trade receivables of the Group were pledged to secure the banking facilities granted to the Group (note 34). The security has been released during the current reporting period.

25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

None of the prepayments, deposits and other receivables is past due or impaired. The financial assets included in the balance relate to receivables for which there was no recent history of default.

As at 31 December 2015, deposits paid for land use rights in the PRC of approximately HK$631,270,000 were acquired through acquisitions of subsidiaries.

25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The amount of prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is $631,270,000 (2014: Nil). All of the other prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

As at 31 December 2014, certain prepayments, deposits and other receivables of the Group were pledged to secure the banking facilities granted to the Group (note 34). The security has been released during the current reporting period.

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
	$'000	$'000
Equity investments at market value listed in:		
Hong Kong	**47,951**	44,509
Mainland China	**2,525**	2,187
	50,476	46,696

The above equity investments were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

27 FOREIGN EXCHANGE FORWARD CONTRACTS

	2015	2014
	$'000	$'000
Current assets		
Foreign exchange forward contracts	**—**	1,011
Current liabilities		
Foreign exchange forward contracts	**55,714**	3,588

The Group has entered into foreign exchange forward contracts which did not meet the criteria of hedge accounting. The changes in the fair value of such non-hedging currency derivatives gave rise to a loss of $56,944,000 (2014: $6,694,000), which was charged to profit or loss during the year. The carrying amount of foreign exchange forward contracts represents their fair value.

28 AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/ AMOUNTS DUE FROM AFFILIATES

The amounts due from non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

As at 31 December 2014, certain amounts due from non-controlling shareholders of subsidiaries of the Group were pledged to secure the banking facilities granted to the Group (note 34). The security has been released during the current reporting period.

The affiliates are companies controlled by the substantial shareholder of the Company.

The amounts due from affiliates are unsecured and repayable on demand, amongst which in the amount of $75,500,000 (2014: $78,000,000) carries interest at Hong Kong dollar prime rate. The maximum amount outstanding during the year was $130,033,000 (2014: $110,765,000).

Amounts due from non-controlling shareholders of subsidiaries and affiliates are neither past due nor impaired.

29 LOAN RECEIVABLE

On 17 February 2014, Perennial Success Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the "Agreement") with Crystal Hub Limited (the "Vendor"), a direct wholly-owned subsidiary of South China Land Limited ("SCL") (subsequently renamed as South China Assets Holdings Limited), whereby the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 40% of the issued share capital of Elite Empire Investments Limited (the "Sale Shares") at a consideration of $600 million subject to the adjustment for 40% of the shortfall in unaudited net assets value of Elite Empire Investments Limited and its subsidiaries (collectively the "Elite Empire Group") as at the completion date as referred to in the announcement and circular of the Company dated 18 February 2014 and 19 March 2014, respectively. As disclosed in the announcement of the Company dated 3 July 2014, such adjustment, which was paid by the Vendor to the Purchaser in cash on 30 June 2014, amounted to approximately $8.8 million. Hence, the consideration after the abovementioned adjustment amounted to approximately $591.2 million.

Under the Agreement, the Purchaser and the Vendor shall enter into the put and call options agreement (the "Options Agreement") whereby the Purchaser shall grant to the Vendor a call option to give the Vendor the right to require the Purchaser to sell to the Vendor all (but not part) of the Sale Shares, subject to the terms and conditions of the Options Agreement, at a fixed sum of $700 million (the "Exercise Price") during the period of 15 months commencing on the 1st day of the 10th month from the date of completion of the transactions pursuant to the Agreement (the "Completion") and expiring on the last day of the 24th month from the Completion date, both days inclusive (the "Option Exercisable Period") and the Vendor shall grant to the Purchaser a put option to give the Purchaser the right to require the Vendor to buyback all (but not part) of the Sale Shares from the Purchaser, subject to the terms and conditions of the Options Agreement, at the Exercise Price during the Option Exercisable Period.

29 LOAN RECEIVABLE *(Continued)*

Under the Agreement, the Purchaser shall procure the Company and the Vendor shall procure SCL to execute a deed of undertaking whereby the Company undertakes to grant guarantee(s) not exceeding $500 million or an equivalent amount in US dollar or Renminbi in aggregate in favour of the prospective lenders of any member of the Elite Empire Group for any loan with a term not exceeding three years at the request of Elite Empire Investments Limited after Completion subject to the terms and conditions of the Agreement and the said deed of undertaking and SCL shall indemnify the Company against 60% of all guaranteed sum together with the full amount of all costs and expenses incurred in (a) defence against or settlement of any claim lodged with the Company under such guarantee(s) and (b) recovery of the said guarantee sum and the costs referred to in (a) above. This guarantee has been expired after six months from the date of the Group's independent shareholders' approval of the transaction.

The abovementioned transactions were completed on 11 April 2014. As detailed in the circular of the Company dated 19 March 2014, the Group has recognised the amount paid pursuant to the Agreement as a debt instrument, i.e. a loan receivable, in view of, among others, the following:

(a) Under the Agreement, the Purchaser is only entitled to appoint directors to the boards of the members of the Elite Empire Group after (i) the occurrence of any intervening event as detailed in the circular of the Company dated 19 March 2014 or (ii) the lapse of the put option and the call option. Furthermore, the Purchaser has agreed not to interfere with the business and the operating and financing policy decisions of Elite Empire Group at both the board and shareholder levels before the expiry of the Option Exercisable Period provided that there is no breach of the Agreement and the Elite Empire Group is not engaged in any business other than the property development project as defined in the said circular; and

(b) The put option and the call option with fixed Exercise Price render the Purchaser's present access to the ownership interest in the Sale Shares by way of sharing the residual interest in the assets of the Elite Empire Group after deducting all of the liabilities thereof limited and, therefore, the Vendor retains substantially all the risks and rewards of ownership. The combination of the put option and the call option with the same Option Exercisable Period and the same Exercise Price resembles a forward contract whereby the Purchaser is obliged to deliver the Sale Shares to the Vendor and the Vendor is obliged to settle the Exercise Price on the maturity date of such forward contract.

Accordingly, upon Completion, the Group has recognised the loan receivable in respect of the said debt instrument at the consideration incurred. Such loan receivable is subsequently measured at amortised cost using the effective interest rate method. Finance income derived from the effective interest rate amortisation for the period from the day immediately after the Completion to the day immediately before the commencement date of the Option Exercisable Period is recognised in profit or loss of the Group over the said period with a corresponding increase in the carrying value of the loan receivable, which stood at the balance of $700 million immediately before the commencement of the Option Exercisable Period. The finance income so recognised in profit or loss of the Group for the year ended 31 December 2015 amounted to approximately $4.8 million (2014: $104.0 million).

As detailed in the circular of the Company dated 4 September 2015, the Group exercised the put option to sell the 40% interest in Elite Empire Investments Limited back to the Vendor at $700 million. At the same time, the Group has entered into a sales and purchase agreement with the Vendor, pursuant to which, the Vendor conditionally agreed to dispose of the entire equity interest in Elite Empire Investments Limited to the Group. The transaction was completed on 7 October 2015 and the loan receivable was derecognised. Further details are set out in note 51.

30 CASH AND BANK BALANCES

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to $72,931,000 (2014: $88,708,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2015, certain cash and bank balances of the Group of an amount of approximately $27,318,000 (2014: $27,726,000) were pledged to secure the banking facilities granted to the Group (note 34).

31 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The Group has committed to a plan to sell certain of its investment properties. In the opinion of the directors, the disposal of the assets is expected to be completed within twelve months from the financial year end date.

	2015	2014
	$'000	$'000
Carrying amount at 1 January	**821,000**	449,069
Exchange realignment	—	(360)
Transfer to investment properties (note 13)	—	(473,160)
Fair value gain	**83,000**	32,451
Distribution from an associate	—	813,000
Carrying amount at 31 December	**904,000**	821,000

The investment properties presented as non-current assets classified as held for sale were revalued on 31 December 2015 by BMI Appraisals Limited, an independent professionally qualified valuer, at $904,000,000 (2014: $821,000,000) on an open market, existing use basis. Such investment properties are leased or available for lease to third parties under operating leases. Details about such operating lease arrangements are included in note 44(a) to the financial statements.

As at 31 December 2015, certain non-current assets of the Group classified as held for sale were pledged and mortgaged to secure the banking facilities granted to the Group (note 34).

Further particulars of the Group's investment properties presented as non-current assets classified as held for sale are set out on page 170.

31 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties presented as non-current assets classified as held for sale:

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1) $'000	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Recurring fair value measurement for:				
Commercial properties	—	—	**904,000**	**904,000**

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Recurring fair value measurement for:				
Commercial properties	—	—	821,000	821,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

31 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

Fair value hierarchy *(Continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties $'000
Carrying amount at 1 January 2015	**821,000**
Fair value gain	**83,000**
Carrying amount at 31 December 2015	**904,000**

	Commercial properties $'000	Industrial properties $'000
Carrying amount at 1 January 2014	377,169	71,900
Exchange realignment	(360)	—
Distribution from an associate	813,000	—
Transfer to investment properties (note 13)	(398,560)	(74,600)
Fair value gain	29,751	2,700
Carrying amount at 31 December 2014	821,000	—

Below is a summary of the valuation techniques and the key inputs used in the valuation of the Group's investment properties presented as non-current assets classified as held for sale:

Properties	**Valuation techniques**	**Unobservable inputs**	**Weighted average of unobservable input**	
			2015	2014
Situated in Hong Kong				
— Commercial	Investment approach	Rental rate	**$46–$55 per square foot**	$45–$54 per square foot
		Capitalisation rate	**2.8% to 3.0%**	2.8% to 3.0%

Under the investment approach, the properties are valued by taking into account the current rents passing or the hypothetical rents and the reversionary potential of the tenancies if the properties have been or would be leased to tenants.

Fair value of non-current assets classified as held for sale will increase if there were increases in rental rate or unit price, or a decrease in capitalisation rate.

31 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

Fair value hierarchy *(Continued)*

The Group's non-current assets classified as held for sale are situated in Hong Kong and are held under the following lease terms:

	2015 $'000	2014 $'000
Medium term leases	**904,000**	821,000

32 TRADE PAYABLES

	2015 $'000	2014 $'000
Trade payables	**346,840**	373,144

An ageing analysis of the trade payables as at the end of the reporting period based on invoice date is as follows:

	2015 $'000	2014 $'000
Within 90 days	**224,973**	269,151
91 to 180 days	**53,636**	49,358
181 to 365 days	**13,923**	8,081
Over 365 days	**54,308**	46,554
	346,840	373,144

The trade payables are non-interest-bearing and normally settled on 90-day terms.

33 OTHER PAYABLES AND ACCRUALS

Other payables are non-interest-bearing and have an average term of three months.

34 INTEREST-BEARING BANK BORROWINGS

	Effective interest rate %	Maturity	2015 $'000	2014 $'000
Current				
Bank overdrafts — unsecured	4–5	on demand	**8,275**	15,207
Bank overdrafts — secured	5	on demand	**10,919**	17,870
Bank loans — unsecured	2–5	2016	**144,504**	66,006
Bank loans — secured	2–7	2016	**1,477,411**	1,591,631
Trust receipt loans — secured	2	2016	**318,095**	347,793
			1,959,204	2,038,507
Non-current				
Bank loans — unsecured	5	2017–2018	**572**	5,499
Bank loans — secured	2–7	2017–2024	**1,740,308**	1,308,636
			1,740,880	1,314,135
			3,700,084	3,352,642

	2015 $'000	2014 $'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**1,959,204**	2,038,507
In the second year	**500,271**	1,249,717
In the third to fifth years, inclusive	**1,238,158**	55,809
Over five years	**2,451**	8,609
	3,700,084	3,352,642

34 INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

(a) At the end of the reporting period, the Group's bank borrowings of approximately $3,546,733,000 (2014: $3,265,930,000) were secured by:

(i) pledges and mortgages over the Group's investment properties situated in Hong Kong and Mainland China, which had an aggregate carrying value of approximately $4,871,848,000 (2014: $4,787,674,000) (note 13) at the end of the reporting period;

(ii) pledges and mortgages over the Group's investment properties presented as non-current assets classified as held for sale, which had an aggregate carrying value of approximately $904,000,000 (2014: $821,000,000) (note 31) at the end of the reporting period;

(iii) pledges and mortgages over the Group's leasehold land and buildings (including their corresponding prepaid land lease payments), which had an aggregate carrying value of approximately $79,113,000 (2014: $99,979,000) (note 12) at the end of the reporting period;

(iv) pledges over the Group's inventories, which had an aggregate carrying value of approximately $329,735,000 (2014: $311,207,000) (note 22) at the end of the reporting period;

(v) pledges over certain bank deposits of the Group with an aggregate carrying value of approximately $27,318,000 (2014: $27,726,000) (note 30) at the end of the reporting period; and

(vi) pledges and mortgages over the shares of certain indirect wholly-owned subsidiaries and 30% interests in an associate with share of net assets equity accounted for by the Group of approximately $4 million (2014: 30% interests in an associate of $4 million) of the Group.

(b) As at 31 December 2014, the Group's bank borrowings were also secured by fixed and floating charge over all assets of certain subsidiaries of the Group with aggregate amounts as carried in the consolidated statement of financial position as follows:

— approximately $3,418,077,000 in respect of the Group's investment properties which is included in the amount in note (a)(i) above;

— approximately $186,429,000 in respect of the Group's property, plant and equipment and prepaid land lease payments, of which approximately $99,979,000 has been included in note (a)(iii) above;

— approximately $323,356,000 in respect of the Group's inventories, of which approximately $311,207,000 has been included in note (a)(iv) above; and

— approximately $116,880,000, $1,374,000, $4,672,000, $347,990,000, $49,455,000, $27,766,000, $40,470,000 and $209,233,000 in respect of the Group's construction in progress (note 15), goodwill (note 21), available-for-sale financial assets (note 19), trade receivables (note 24), prepayments, deposits and other receivables (note 25), tax recoverable, amounts due from non-controlling shareholders of subsidiaries (note 28) and cash and bank balances (note 30), respectively.

The above fixed and floating charges have been released during the current reporting period.

(c) At the end of the reporting period, except for the secured bank loans with an aggregate amount of $203,652,000 (2014: $229,215,000), which were denominated in Renminbi, and an aggregate amount of Nil (2014: $23,250,000), which were denominated in United States dollars, and the unsecured bank loans of $717,000 (2014: $1,376,000) which were denominated in Renminbi, and an aggregate amount of $7,750,000 (2014: Nil) which were denominated in United States dollars, all other borrowings were in Hong Kong dollars.

35 AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

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

36 ADVANCES FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The advances from non-controlling shareholders of subsidiaries are unsecured, interest-free and are not repayable within twelve months from the end of the reporting period.

37 OTHER NON-CURRENT LIABILITIES

	2015 $'000	2014 $'000
Provision for severance payments	**73,521**	76,915
Others	**937**	1,259
	74,458	78,174

The movements in the provision for severance payments are as follows:

	2015 $'000	2014 $'000
At 1 January	**76,915**	79,149
Exchange realignment	**(3,410)**	(1,760)
Addition	**19**	—
Amounts utilised during the year	**(3)**	(474)
At 31 December	**73,521**	76,915

The provision for severance payments arose from the acquisition of certain subsidiaries in Mainland China in prior years, and was recognised under the relevant regulations in Mainland China.

On 25 July 2014, an indirect wholly-owned subsidiary of the Company entered into the equity transfer agreements with Nanjing Machinery & Electronics Industrial (Group) Co., Limited (南京機電產業(集團)有限公司) for the acquisition of all the minority stakes in three subsidiaries, 南京微分電機有限公司, 南京電力電容器有限公司 and 南京液壓件二廠有限公司. Under the Agreement, investment properties amounting to $94,168,000 (2014: $92,160,000) are pledged to secure the performance of the respective subsidiaries' obligations in respect of the employees resettlement reserve funds (職工安置備用金). Under the local government policy, companies transformed from state-owned enterprise shall pledge their assets to secure the performance of their obligations in respect of the employees resettlement reserve funds.

38 DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED

The movements in deferred tax (assets)/liabilities recognised during the year are as follows:

	Depreciation allowance in excess of related depreciation $'000	Revaluation of properties $'000	Losses available for offsetting against future taxable profits $'000	Total $'000
At 1 January 2014	9,439	807,187	(5,772)	810,854
Deferred tax charged to profit or loss (note 10)	55	10,268	105	10,428
Exchange realignment	—	(17,720)	—	(17,720)
At 31 December 2014	9,494	799,735	(5,667)	803,562
At 1 January 2015	**9,494**	**799,735**	**(5,667)**	**803,562**
Deferred tax charged/(credited) to profit or loss (note 10)	**27,623**	**36,876**	**(171)**	**64,328**
Exchange realignment	**(9)**	**(35,880)**	**—**	**(35,889)**
At 31 December 2015	**37,108**	**800,731**	**(5,838)**	**832,001**

Deferred tax assets have not been recognised in respect of the following items:

(i) Tax losses arising in Hong Kong

The Group has tax losses arising in Hong Kong of $376,283,000 (2014: $325,629,000). Such tax losses are available indefinitely for offsetting against future taxable profits of the relevant companies from which the losses arose.

(ii) Tax losses arising in Mainland China

The Group has tax losses arising in Mainland China of $469,491,000 (2014: $421,697,000) in the past five years available for offsetting against future taxable profits. Such tax losses will expire in one to five years.

Deferred tax assets have not been recognised in respect of the above tax losses as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared by foreign investment enterprises established in Mainland China for distribution to foreign investors. The requirement is effective from 1 January 2008 onwards, and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable tax rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008 onwards.

38 DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED *(Continued)*

No deferred tax liabilities have been recognised for withholding taxes on the unremitted earnings, which are subject to the abovementioned withholding taxes, of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in the major subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately $58,122,000 at 31 December 2015 (2014: $47,012,000).

39 SHARE CAPITAL

(a) Shares

	2015 $'000	2014 $'000
Authorised:		
12,000,000,000 ordinary shares of $0.01 each (2014: 5,000,000,000 ordinary shares of $0.02 each) (notes i & ii)	**120,000**	100,000
3,000,000,000 redeemable convertible preference shares of $0.02 each (2014: 2,000,000,000 redeemable convertible preference shares of $0.02 each) (note ii)	**60,000**	40,000
Total authorised capital	**180,000**	140,000
Issued and fully paid:		
5,977,273,726 ordinary shares of $0.01 each (2014: 2,988,636,863 ordinary shares of $0.02 each) (note i)	**59,773**	59,773
2,735,802,127 (2014: 1,794,118,996) redeemable convertible preference shares of $0.02 each	**54,715**	35,882
Total issued and fully paid capital	**114,488**	95,655

Notes:

i) On 23 July 2015, an ordinary resolution approving the sub-division of each of the existing issued and unissued ordinary shares of $0.02 each in the share capital of the Company into two ordinary shares of $0.01 each was duly passed at the Extraordinary General Meeting and the share sub-division has become unconditional and effective on 24 July 2015 (the "Share Sub-division"). Details of the transactions were set out in the Company's announcements dated 25 June 2015 and 23 July 2015.

ii) On 30 September 2015, an ordinary resolution approving the increase in authorised ordinary shares and redeemable convertible preference shares by 2,000,000,000 ordinary shares of par value of $0.01 each and 1,000,000,000 convertible preference shares of par value of $0.02 each, respectively, were duly passed at the Extraordinary General Meeting. Details were set out in the Company's circular dated 4 September 2015 and the announcement dated 30 September 2015.

39 SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

The redeemable convertible preference shares are redeemable at the sole discretion of the Company at any time after the issuance thereof. Holders of the redeemable convertible preference shares shall be entitled to pro-rata share of dividend or distribution declared by the board of directors (the "Board") of the Company, at its discretion, to the ordinary shareholders of the Company. Dividends or distributions payable to the holders of the redeemable convertible preference shares are not cumulative. The redeemable convertible preference shares shall not confer on the holders thereof the right to receive notice of, or to attend and vote at, general meetings of the Company unless a resolution is proposed to vary or abrogate the rights or privileges of the holders of the redeemable convertible preference shares or for winding-up the Company. The redeemable convertible preference shares rank prior to the ordinary shares on distribution of assets on liquidation, winding-up or dissolution of the Company to the extent of the amount equal to the aggregate issue price of the relevant redeemable convertible preference shares. The remaining assets shall belong to and be distributed on a pari passu basis among the holders of the ordinary shares.

The outstanding redeemable convertible preference shares were issued and convertible into fully paid ordinary shares on a one-for-one basis prior to the Share Sub-division whereby every then issued and unissued ordinary share in the Company with par value of $0.02 was subdivided into two ordinary shares in the Company with par value of $0.01 each. As such, the conversion prices of the redeemable convertible preference shares were adjusted pursuant to the terms of the redeemable convertible preference shares subsequent to the Share Sub-division. The redeemable convertible preference shareholders shall have a right to convert at any time after the day of issue of the redeemable convertible preference share. There is no limit in conversion period. Upon full conversion of the convertible preference shares in issue as at 31 December 2015, 5,471,604,254 ordinary shares (as adjusted for the Share Sub-division) (2014: 3,588,237,992 ordinary shares (as adjusted for the Share Sub-division)) will be issued. However, the conversion of convertible preference shares to ordinary shares is subject and limited to the extent allowed under the following terms and conditions: (i) SCL, the holder of the redeemable convertible preference shares and a related company, irrevocably and unconditionally undertakes that, save with the prior consent of the Company, it shall not (and procure its nominees, who are the holders of the redeemable convertible preference shares or the then holders of the redeemable convertible preference shares other than its nominees, if any, shall not) directly or indirectly, through whatsoever means, hold more than 5% of the total number of issued ordinary shares of the Company, individually or collectively; (ii) the Company shall, immediately after the conversion, meet the public float requirements under the Listing Rules that not less than 25% (or the minimum percentage as set out in the Listing Rules from time to time) of the total number of issued ordinary shares of the Company must be held by the public; and (iii) the conversion shall not result in the convertible preference shareholder and parties acting in concert therewith (within the meaning of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code")), taken together, directly or indirectly controlling or being interested in 30% or more of the entire issued voting share capital of the Company (or such other percentage as may from time to time be specified in the Takeovers Code as the level for triggering a mandatory general offer) as at the date of conversion and, hence, the mandatory general offer obligation being triggered unless either (a) such redeemable convertible preference shareholder and the parties acting in concert therewith comply with the Takeovers Code and make a general offer for all the shares not already owned by them or (b) a whitewash waiver to waive the requirement for such redeemable convertible preference shareholder and the parties acting in concert therewith to make a mandatory general offer is approved by the independent shareholders of the Company and granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission pursuant to the Takeovers Code before the date of completion of the conversion.

39 SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

Movements of issued capital were as follows:

	Issued ordinary shares $'000	Issued redeemable convertible preference shares $'000	Share premium $'000	Total $'000
At 1 January 2014	59,773	27,059	750,842	837,674
441,176,470 redeemable convertible preference shares issued during the year	—	8,823	291,177	300,000
At 31 December 2014 and at 1 January 2015	**59,773**	**35,882**	**1,042,019**	**1,137,674**
1,042,123,131 redeemable convertible preference shares issued during the year (note 51)	—	**20,842**	**812,856**	**833,698**
100,440,000 redeemable convertible preference shares redeemed during the year	—	**(2,009)**	**(55,242)**	**(57,251)**
At 31 December 2015	**59,773**	**54,715**	**1,799,633**	**1,914,121**

Movements of number of issued shares are as follows:

	No. of issued ordinary shares '000	No. of redeemable convertible preference shares '000
At 1 January 2014	**2,988,637**	1,352,943
Issued during the year	—	441,176
At 31 December 2014 and at 1 January 2015	**2,988,637**	1,794,119
Effect of Share Sub-division	**2,988,637**	—
Issued during the year	—	1,042,123
Redeemed during the year	—	(100,440)
At 31 December 2015	**5,977,274**	2,735,802

(Expressed in Hong Kong dollars)

39 SHARE CAPITAL *(Continued)*

(b) Share options

Details of the Company's share option schemes and the share options issued under the schemes are set out in note 40 to the financial statements.

(c) Share awards

In 2011, the Board approved the establishment of the Company's Employees' Share Award Scheme (the "Share Award Scheme"). Pursuant to the rules of the Share Award Scheme, the Company has set up a trust (the "Trust") for the purpose of administering the Share Award Scheme and holding the shares purchased for the Share Award Scheme before the award and vesting of the same. The Company pays to the Trust from time to time for the purchase of shares held for the Share Award Scheme from market.

The terms of the Share Award Scheme provide for the award of shares in the Company and/or shares in SCL, a related company under common control, to employees of the Group as part of their compensation package. Subject to the rules of the Share Award Scheme, the Board shall determine at the time of grant the vesting date for the relevant awarded shares.

Dividends payable to the awarded shares are applied to acquire further shares (dividend shares) and pay the related purchase expenses and expenses of the Trust. Dividend shares have the same vesting date as the related awarded shares.

For awardees who cease employment with the Group before vesting, the unvested shares are forfeited and held by the trustee of the Share Award Scheme who may award such shares to other awardees taking into consideration the recommendations of the Board.

Movements in the number of awarded shares in the Company and their related average fair values are as follows:

	2015		2014	
	Average fair value per share	**Number of awarded shares**	Average fair value per share	Number of awarded shares
	$		$	
At 1 January		**4,088,000**		6,576,000
Forfeited	**0.27**	**(464,000)**	0.52	(696,000)
Effect of Share Sub-division	**—**	**3,624,000**	—	—
Vested	**0.42**	**(6,320,000)**	0.48	(1,792,000)
At 31 December		**928,000**		4,088,000

39 SHARE CAPITAL *(Continued)*

(c) Share awards *(Continued)*

Movements in the number of shares in the Company held under the Share Award Scheme are as follows:

	2015		2014	
	Value	**Number of shares held**	Value	Number of shares held
	$'000		$'000	
At 1 January	**24,443**	**39,760,000**	25,115	40,944,000
Effect of Share Sub-division	**—**	**39,760,000**	—	—
Purchased during the year	**—**	**—**	429	608,000
Vested during the year	**(1,943)**	**(6,320,000)**	(1,101)	(1,792,000)
At 31 December	**22,500**	**73,200,000**	24,443	39,760,000

During the year, the Share Award Scheme transferred 6,320,000 (2014: 1,792,000) shares of the Company to the awardees upon vesting of certain awarded shares. The total cost of the vested shares was $1,943,000 (2014: $1,101,000).

The remaining vesting period of the awarded shares in the Company outstanding as at 31 December 2015 is between 0.5 year and 1.5 years.

40 SHARE OPTION SCHEMES

The share option scheme adopted by the Company on 31 May 2002 (the "2002 Share Option Scheme") was terminated on 5 June 2012. No further option will be granted under the 2002 Share Option Scheme after the termination thereof but the subsisting share options granted thereunder prior to the said termination shall continue to be valid and exercisable pursuant to the terms of the 2002 Share Option Scheme.

At the annual general meeting of the Company held on 5 June 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "2012 Share Option Scheme") which became effective on 11 June 2012. Under the 2012 Share Option Scheme, the directors of the Company may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions stipulated therein. Unless otherwise cancelled or amended, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective.

The directors and employees of the Group are entitled to participate in the share option schemes operated by the Company. Details of the share option schemes are as follows:

40 SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme

(a) *Purpose of the 2002 Share Option Scheme*

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees with relevant qualifications and experience to work for the Group and any entity in which any member of the Group holds equity interests (the "Invested Entity"). The shareholders of the Company approved the adoption of the 2002 Share Option Scheme at the annual general meeting held on 31 May 2002.

(b) *Participants of the 2002 Share Option Scheme*

According to the 2002 Share Option Scheme, the Board may, at its discretion, grant share options to any person in any of the following classes of participants:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;

(v) any business partner, agent, consultant, contractor or representative of any member of the Group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

(vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder;

(ix) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute to the development and growth of any member of the Group (including any discretionary object of a participant which is a discretionary trust); and

(x) any company wholly owned by one or more persons belonging to any of the above classes of participants.

40 SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme *(Continued)*

(c) *Total number of shares available for issue under the 2002 Share Option Scheme*

The maximum number of shares in respect of which share options may be granted under the 2002 Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2002 Share Option Scheme.

However, since the 2002 Share Option Scheme had already been terminated, no further share will be issued pursuant to the grant of further share options under the 2002 Share Option Scheme. Options lapsed in accordance with the terms of the 2002 Share Option Scheme or any other share option scheme of the Company under which such options are granted shall not be counted for the purpose of calculating whether the abovementioned scheme mandate limit has been exceeded.

(d) *Maximum entitlement of each participant*

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

Where a grant of share option is to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive director of the Company or any of their respective associates (as defined in the Listing Rules) and the proposed grant of the share option, when aggregated with the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) in the past twelve months period up to and including the date of such grant, would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) representing in aggregate over 0.1% of the total issued share capital of the Company for the time being (or such other amount or percentage or on such other date as the relevant provisions of the Listing Rules may specify) and having an aggregate value, based on the closing price of the share at the date of each grant, in excess of $5 million (or such other amount or such other price or date as the relevant provisions of the Listing Rules may specify), then the proposed grant of share option must be subject to the approval of the shareholders of the Company on a poll in a general meeting where all connected persons of the Company must abstain from voting.

(e) *Period within which the shares must be taken up under an option*

The Board may at its absolute discretion determine the period during which a share option may be exercised. Such period should expire no later than 10 years from the date of grant. The Board may also impose restrictions on the exercise of a share option during the period a share option may be exercised.

40 SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme *(Continued)*

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

There is no specific requirement under the 2002 Share Option Scheme that an option must be held for any minimum period before it can be exercised. But the terms of the 2002 Share Option Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular option.

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

An amount of $1 for each lot of share options granted is payable upon acceptance of the options within 5 business days from the date of offer of the option.

(h) *Basis of determining the exercise price of the options*

The exercise price is determined by the Board, and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

(i) *Remaining life of the 2002 Share Option Scheme*

The 2002 Share Option Scheme was in force for a period of 10 years commencing 18 June 2002 and was terminated on 5 June 2012.

The following share options were outstanding under the 2002 Share Option Scheme during the year:

	2015		2014	
	Weighted average subscription price per share	**Number of options**	Weighted average subscription price per share	Number of options
	$	**'000**	$	'000
At 1 January	**1.5**	**91,200**	1.5	91,500
Lapsed during the year (Note)	**0.75**	**(600)**	1.5	(300)
At 31 December (Note)	**0.75**	**90,600**	1.5	91,200
Exercisable at 31 December (Note)	**0.75**	**90,600**	1.5	91,200

Note: Upon the Share Sub-division becoming effective on 24 July 2015, the subscription prices and the number of shares to be allotted and issued upon exercise of the subscription rights attaching to the options granted under the share option scheme adopted on 31 May 2002 are adjusted in accordance with Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange.

(Expressed in Hong Kong dollars)

40 SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme *(Continued)*

(i) *Remaining life of the 2002 Share Option Scheme (Continued)*

Particulars of the outstanding share options granted under the 2002 Share Option Scheme and the movements during the year were as follows:

	Number of share options						
Name or category of participant	Outstanding as at 1 January 2015	Lapsed during the year	Outstanding as at 31 December 2015	Date of grant of share options (DD/MM/YYYY) (Note 1)	Exercise period of share options (DD/MM/YYYY)	Number of ordinary shares issuable upon the exercise of share options	Subscription price per share $ (Note 2)
Directors							
Cheung Choi Ngor	8,666,666	—	8,666,666	18/09/2007	18/09/2008 – 17/09/2017	17,333,332	0.75
	8,666,667	—	8,666,667	18/09/2007	18/09/2009 – 17/09/2017	17,333,334	0.75
	8,666,667	—	8,666,667	18/09/2007	18/09/2010 – 17/09/2017	17,333,334	0.75
Ng Yuk Fung Peter	8,666,666	—	8,666,666	18/09/2007	18/09/2008 – 17/09/2017	17,333,332	0.75
	8,666,667	—	8,666,667	18/09/2007	18/09/2009 – 17/09/2017	17,333,334	0.75
	8,666,667	—	8,666,667	18/09/2007	18/09/2010 – 17/09/2017	17,333,334	0.75
Sub-total	52,000,000	—	52,000,000			104,000,000	
Other employees							
In aggregate	1,333,333	—	1,333,333	18/09/2007	18/09/2008 – 17/09/2017	2,666,666	0.75
	1,333,333	—	1,333,333	18/09/2007	18/09/2009 – 17/09/2017	2,666,666	0.75
	1,333,334	—	1,333,334	18/09/2007	18/09/2010 – 17/09/2017	2,666,668	0.75
	1,566,666	—	1,566,666	25/09/2007	25/09/2008 – 24/09/2017	3,133,332	0.75
	1,566,666	—	1,566,666	25/09/2007	25/09/2009 – 24/09/2017	3,133,332	0.75
	1,566,668	—	1,566,668	25/09/2007	25/09/2010 – 24/09/2017	3,133,336	0.75
Sub-total	8,700,000	—	8,700,000			17,400,000	
Others							
In aggregate	9,866,665	—	9,866,665	18/09/2007	18/09/2008 – 17/09/2017	19,733,330	0.75
	9,866,666	—	9,866,666	18/09/2007	18/09/2009 – 17/09/2017	19,733,332	0.75
	9,866,669	—	9,866,669	18/09/2007	18/09/2010 – 17/09/2017	19,733,338	0.75
	300,000	(200,000)	100,000	25/09/2007	25/09/2008 – 24/09/2017	200,000	0.75
	300,000	(200,000)	100,000	25/09/2007	25/09/2009 – 24/09/2017	200,000	0.75
	300,000	(200,000)	100,000	25/09/2007	25/09/2010 – 24/09/2017	200,000	0.75
Sub-total	30,500,000	(600,000)	29,900,000			59,800,000	
Total	91,200,000	(600,000)	90,600,000			181,200,000	

(Expressed in Hong Kong dollars)

40 SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme *(Continued)*

(i) *Remaining life of the 2002 Share Option Scheme (Continued)*

Notes:

(1) All share options granted are subject to a vesting period and exercisable in the following manner:

From the date of grant of share options	Exercisable percentage
Within 12 months	Nil
13th–24th month	Not more than $33^{1}/_{3}$
25th–36th month	Not more than $66^{2}/_{3}$
37th–120th month	100

(2) The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

Except for 600,000 (2014: 300,000) share options which have been lapsed, no share option has been granted, exercised or cancelled during the year. The Group recognised no share option expense in respect of options granted under the 2002 Share Option Scheme in the years ended 31 December 2015 and 2014.

At the end of the reporting period, the Company had 90,600,000 share options outstanding under the 2002 Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 181,200,000 additional ordinary shares of the Company with additional cash received of $135,900,000.

(ii) 2012 Share Option Scheme

(a) *Purpose of the 2012 Share Option Scheme*

In order to provide incentives or rewards to the participants for their contributions to the Group and to enable the Group to attract and retain employees with relevant qualifications and experience to work for the Group and any Invested Entity, the shareholders of the Company approved the adoption of the 2012 Share Option Scheme at the annual general meeting held on 5 June 2012.

40 SHARE OPTION SCHEMES *(Continued)*

(ii) 2012 Share Option Scheme *(Continued)*

(b) *Participants of the 2012 Share Option Scheme*

According to the 2012 Share Option Scheme, the Board may, at its discretion, grant share options to any person in any of the following classes of participants:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;

(v) any business partner, agent, consultant, contractor or representative of any member of the Group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

(vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder;

(ix) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute to the development and growth of any member of the Group (inducing any discretionary object of a participant which is a discretionary trust); and

(x) any company wholly owned by one or more persons belonging to any of the above classes of participants.

40 SHARE OPTION SCHEMES *(Continued)*

(ii) 2012 Share Option Scheme *(Continued)*

(c) *Total number of shares available for issue under the 2012 Share Option Scheme*

The maximum number of shares in respect of which share options may be granted under the 2012 Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2012 Share Option Scheme, i.e. a total of 597,727,372 (2014: 298,863,686 before the effect of the Share Sub-division). Options lapsed in accordance with the terms of the 2012 Share Option Scheme or any other share option scheme of the Company under which such options are granted shall not be counted for the purpose of calculating whether the abovementioned scheme mandate limit has been exceeded.

As at 31 December 2015, the total number of shares available for issue pursuant to the grant of further share options under the 2012 Share Option Scheme was 491,841,004 (2014: 298,863,686 before the effect of the Share Sub-division), representing approximately 8.23% of the issued share capital of the Company as at the date of this Annual Report.

(d) *Maximum entitlement of each participant*

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

Where a grant of share option is to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive director of the Company or any of their respective associates (as defined in the Listing Rules) and the proposed grant of the share option, when aggregated with the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) in the past twelve months period up to and including the date of such grant, would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) representing in aggregate over 0.1% of the total issued share capital of the Company for the time being (or such other amount or percentage or on such other date as the relevant provisions of the Listing Rules may specify) and having an aggregate value, based on the closing price of the share at the date of each grant, in excess of $5 million (or such other amount or such other price or date as the relevant provisions of the Listing Rules may specify), then the proposed grant of share option must be subject to the approval of the shareholders of the Company on a poll in a general meeting where all connected persons of the Company must abstain from voting.

40 SHARE OPTION SCHEMES *(Continued)*

(ii) 2012 Share Option Scheme *(Continued)*

(e) *Period within which the shares must be taken up under an option*

The Board may at its absolute discretion determine the period during which a share option may be exercised. Such period should expire no later than 10 years from the date of grant. The Board may also impose restrictions on the exercise of a share option during the period a share option may be exercised.

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

There is no specific requirement under the 2012 Share Option Scheme that an option must be held for any minimum period before it can be exercised. But the terms of the 2012 Share Option Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular option.

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

An amount of $1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer of the option.

(h) *Basis of determining the exercise price of the options*

The exercise price is determined by the Board, and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

40 SHARE OPTION SCHEMES *(Continued)*

(ii) 2012 Share Option Scheme *(Continued)*

(i) *Remaining life of the 2012 Share Option Scheme*

Subject to early termination of the 2012 Share Option Scheme pursuant to the terms thereof, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective on 11 June 2012.

The following share options were outstanding under the 2012 Share Option Scheme during the year:

	2015		2014	
	Weighted average subscription price per share	**Number of options**	Weighted average subscription price per share	Number of options
	$	**'000**	$	'000
At 1 January	**—**	**—**	—	—
Granted on 10 July 2015 (Note)	**1.3**	**40,250**	—	—
Granted on 20 October 2015	**0.65**	**29,886**	—	—
Lapsed during the year (Note)	**0.65**	**(2,250)**	—	—
At 31 December (Note)	**0.65**	**67,886**	—	—
Exercisable at 31 December	**—**	**—**	—	—

Note: Upon the Share Sub-division becoming effective on 24 July 2015, the subscription prices under the share option scheme adopted on 5 June 2012 are adjusted in accordance with Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange.

(Expressed in Hong Kong dollars)

40 SHARE OPTION SCHEMES *(Continued)*

(ii) 2012 Share Option Scheme *(Continued)*

(i) *Remaining life of the 2012 Share Option Scheme (Continued)*

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

Name or category of participant	Number of share options: Outstanding as at 1 January 2015	Granted during the year	Lapsed during the year	Outstanding as at 31 December 2015	Date of grant of share options (DD/MM/YYYY) (note 1)	Exercise period of share options (DD/MM/YYYY)	Number of ordinary shares issuable upon the exercise of share options	Subscription price per share $ (note 2)
Employees								
In aggregate	—	12,166,664	(500,000)	11,666,664	10/07/2015	10/07/2016 – 09/07/2025	23,333,328	0.65
	—	12,166,666	(500,000)	11,666,666	10/07/2015	10/07/2017 – 09/07/2025	23,333,332	0.65
	—	12,166,670	(500,000)	11,666,670	10/07/2015	10/07/2018 – 09/07/2025	23,333,340	0.65
	—	8,965,000	—	8,965,000	20/10/2015	20/10/2017 – 19/10/2025	8,965,000	0.65
	—	8,965,000	—	8,965,000	20/10/2015	20/10/2018 – 19/10/2025	8,965,000	0.65
	—	11,956,368	—	11,956,368	20/10/2015	20/10/2019 – 19/10/2025	11,956,368	0.65
Sub-total	—	66,386,368	(1,500,000)	64,886,368			99,886,368	
Others								
In aggregate	—	1,250,000	(250,000)	1,000,000	10/07/2015	10/07/2016 – 09/07/2025	2,000,000	0.65
	—	1,250,000	(250,000)	1,000,000	10/07/2015	10/07/2017 – 09/07/2025	2,000,000	0.65
	—	1,250,000	(250,000)	1,000,000	10/07/2015	10/07/2018 – 09/07/2025	2,000,000	0.65
Sub-total	—	3,750,000	(750,000)	3,000,000			6,000,000	
Total	—	70,136,368	(2,250,000)	67,886,368			105,886,368	

Note:

(1) All share options granted are subject to a vesting period and exercisable in the following manner:

From the date of grant of share options	**Exercisable percentage**
Within 12 months	Nil
13th–24th month	Not more than $33^1/_3$
25th–36th month	Not more than $66^2/_3$
37th–120th month	100

(2) The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

At the end of the reporting period, the Company had 67,886,368 share options outstanding under the 2012 Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 105,886,368 additional ordinary shares of the Company with additional cash received of $68,826,000.

(Expressed in Hong Kong dollars)

40 SHARE OPTION SCHEMES *(Continued)*

(ii) 2012 Share Option Scheme *(Continued)*

(j) *Fair value of share options and assumptions*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a trinomial option pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the trinomial option pricing model.

Fair value of share options and assumptions	**2015**	2014
Fair value at measurement date	**\$0.18–\$0.29**	—
Share price (at grant date)	**\$0.52–\$0.65**	—
Subscription price	**\$0.65**	—
Expected volatility (expressed as weighted average volatility used in the modelling under trinomial option pricing model)	**67.03%–76.74%**	—
Option life	**1–4 years**	—
Risk-free interest rate (based on Exchange Fund Notes)	**0.49%–1.18%**	—

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

41 RESERVES

(a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 44 to 45.

(b) Nature and purpose of reserves

(i) *Share premium*

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

41 RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(ii) *Contributed surplus*

The excess of the value of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange was credited to the contributed surplus.

(iii) *Merger reserve*

It represents the excess of the consideration over the carrying amount of net assets acquired under common control transactions.

(iv) *Land and buildings revaluation reserve*

The land and buildings revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in note 2.4(g).

(v) *Available-for-sale financial assets revaluation reserve*

The available-for-sale financial assets reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the reporting date and is dealt with in accordance with the accounting policies as set out in note 2.4(l).

(vi) *PRC statutory reserve*

Pursuant to the relevant laws and regulations of the PRC, certain subsidiaries of the Group registered in the PRC shall appropriate a portion of their profits after tax to the PRC statutory reserves, which are restricted as to use, subject to certain conditions provided that the said profit after tax of the relevant subsidiary is in excess of its accumulated losses brought forward, if any. For such appropriation, the said profit after tax and accumulated losses brought forward shall be the respective amounts reported in accordance with the accounting principles generally applicable to the PRC enterprises. There was no such transfer to the PRC statutory reserves for the year ended 31 December 2015 (2014: Nil).

41 RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(vii) *Goodwill reserve*

The goodwill arising on consolidation has been set up and dealt with in accordance with the transitional arrangements under HKFRS 3 (August 2004). Goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in profit or loss on disposal or impairment of the acquired business, or under any other circumstances.

(viii) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy as set out in note 2.4(aa).

(ix) *Employee share-based compensation reserve*

The employee share-based compensation reserve comprises the fair value of the unvested share awards and the unexercised share options of the Group at grant date that has been recognised in accordance with the accounting policy as set out in note 2.4(x).

(c) Dividend

The Company had not declared or paid any dividend during the year (2014: Nil) and the board of directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

41 RESERVES *(Continued)*

(d) Company

	Share premium $'000	Capital redemption reserve $'000	Shares held for Share Award Scheme $'000	Employee share-based compensation reserve# $'000	Retained profits $'000	Total $'000
At 1 January 2014	750,842	223	(25,115)	52,092	22,393	800,435
Profit and total comprehensive income for the year	—	—	—	—	59,657	59,657
Issuance of redeemable convertible preference shares	291,177	—	—	—	—	291,177
Shares purchased for Share Award Scheme	—	—	(429)	—	—	(429)
Vesting of shares awarded under Share Award Scheme	—	—	1,101	(852)	(249)	—
Transfer of employee share-based compensation reserve upon lapse of shares awarded and share options	—	—	—	(764)	163	(601)
Recognition of equity-settled share-based compensation: share award	—	—	—	1,235	—	1,235
At 31 December 2014 and 1 January 2015	**1,042,019**	**223**	**(24,443)**	**51,711**	**81,964**	**1,151,474**
Loss and total comprehensive income for the year	**—**	**—**	**—**	**—**	**(78,331)**	**(78,331)**
Issuance of redeemable convertible preference shares	**812,856**	**—**	**—**	**—**	**—**	**812,856**
Redemption of redeemable convertible preference shares	**(55,242)**	**—**	**—**	**—**	**—**	**(55,242)**
Vesting of shares awarded under Share Award Scheme	**—**	**—**	**1,943**	**(2,640)**	**697**	**—**
Transfer of employee share-based compensation reserve upon lapse of shares awarded and share options	**—**	**—**	**—**	**(579)**	**325**	**(254)**
Recognition of equity-settled share-based compensation: share award and share options	**—**	**—**	**—**	**5,942**	**—**	**5,942**
At 31 December 2015	**1,799,633**	**223**	**(22,500)**	**54,434**	**4,655**	**1,836,445**

\# Employee share-based compensation reserve comprises the share option reserve and the share award reserve.

The Company's reserves available for distribution include share premium, capital redemption reserve, employee share-based compensation reserve and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of dividend. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2015 amounted to approximately $1,858,945,000 (2014: $1,175,917,000).

42 CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2015 **$'000**	2014 $'000
Guarantees given to banks in connection with banking facilities granted to:		
A subsidiary of an affiliate of the Group	**15,000**	—
Undertaking given to a former associate for banking facilities utilised by the former associate	**—**	13,526
	15,000	13,526

As at 31 December 2015, the banking facilities granted to a subsidiary of an affiliate of the Group subject to guarantees given to the banks by the Group were utilised to the extent of approximately $7,000,000 (2014: Nil).

43 PLEDGES OF ASSETS

Details of the Group's bank loans and overdrafts, which are secured by the assets of the Group, are included in note 34 to the financial statements.

44 OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (notes 13 and 31) under operating lease arrangements with leases generally negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and may provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 **$'000**	2014 $'000
Within one year	**164,534**	136,627
In the second to fifth years, inclusive	**212,067**	178,226
Over five years	**29,072**	46,459
	405,673	361,312

44 OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its factory premises and office properties under operating lease arrangements. Leases for these factory premises are generally negotiated for terms ranging from one month to ten years, and those for office properties are for terms of one to two years.

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

	2015	2014
	$'000	$'000
Within one year	**53,242**	38,272
In the second to fifth years, inclusive	**58,242**	58,130
Over five years	**66,376**	74,999
	177,860	171,401

45 CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2015	2014
	$'000	$'000
Contracted but not provided for:		
Land and buildings	**61,114**	63,949
Machinery and equipment	**2,099**	1,819
Land use rights	**11,171**	11,690
	74,384	77,458
Authorised but not contracted for:		
Property, plant and equipment	**49,347**	51,881

46 RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Note	**2015** **$'000**	2014 $'000
Transactions with an associate:			
Interest expense (note 7)	(i)	**—**	(983)
Transactions with related companies#:			
Interest income (note 5)**	(ii)	**8,658**	107,901
Rental income**		**5,712**	5,931
Air tickets and travel related services purchased*		**(3,715)**	(3,579)
Property, plant and equipment purchased*		**—**	(120)

\# The relevant related companies are controlled by a substantial shareholder, who is also a director of the Company.

* These related party transactions also constitute exempted connected transactions or exempted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

** The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with and the key terms of the relevant loan agreement and tenancy agreements have been disclosed in the announcement of the Company.

Notes:

(i) Interest expense was charged at HIBOR plus 1.15% per annum on the outstanding balance of the amount due to an associate.

(ii) Interest income of $3,885,000 (2014: $3,889,000) was charged at Hong Kong dollar prime rate on the outstanding balance of the loan to the related company. Interest income of $4,773,000 (2014: $104,012,000) arose from loan receivable (note 29) and was charged at effective interest rate on the outstanding balance of the amounts due from the related company.

(b) Outstanding balances with related parties:

Details of the balances with related parties at the end of the reporting period are included in notes 17, 28, 29, 35 and 36 to the financial statements.

(c) Compensation of key management personnel of the Group:

The executive directors are the key management personnel of the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

47 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amount of each of the categories of financial instruments at the end of the reporting period is as follows:

Financial assets

	2015			
	Financial assets at fair value through profit or loss $'000	Loans and receivables $'000	Available-for-sale financial assets $'000	Total $'000
Available-for-sale financial assets (note 19)	—	—	74,018	74,018
Trade receivables (note 24)	—	380,506	—	380,506
Financial assets included in prepayments, deposits and other receivables	—	136,625	—	136,625
Amounts due from non-controlling shareholders of subsidiaries (note 28)	—	56,650	—	56,650
Amounts due from affiliates (note 28)	—	104,277	—	104,277
Financial assets at fair value through profit or loss (note 26)	50,476	—	—	50,476
Cash and bank balances (note 30)	—	486,422	—	486,422
	50,476	1,164,480	74,018	1,288,974

47 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial assets *(Continued)*

	2014			
	Financial assets at fair value through profit or loss $'000	Loans and receivables $'000	Available-for-sale financial assets $'000	Total $'000
Available-for-sale financial assets (note 19)	—	—	71,417	71,417
Trade receivables (note 24)	—	416,047	—	416,047
Financial assets included in prepayments, deposits and other receivables	—	109,054	—	109,054
Amounts due from non-controlling shareholders of subsidiaries (note 28)	—	41,236	—	41,236
Amounts due from affiliates (note 28)	—	110,765	—	110,765
Loan receivable (note 29)	—	695,228	—	695,228
Financial assets at fair value through profit or loss (note 26)	46,696	—	—	46,696
Foreign exchange forward contracts (note 27)	1,011	—	—	1,011
Cash and bank balances (note 30)	—	319,898	—	319,898
	47,707	1,692,228	71,417	1,811,352

47 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	2015		
	Financial liabilities at fair value through profit or loss $'000	**Financial liabilities at amortised cost $'000**	**Total $'000**
Trade payables (note 32)	**—**	**346,840**	**346,840**
Financial liabilities included in other payables and accruals	**—**	**493,108**	**493,108**
Foreign exchange forward contracts (note 27)	**55,714**	**—**	**55,714**
Interest-bearing bank borrowings (note 34)	**—**	**3,700,084**	**3,700,084**
Amounts due to non-controlling shareholders of subsidiaries (notes 35 and 36)	**—**	**8,873**	**8,873**
Financial liability included in other non-current liabilities	**111**	**187**	**298**
	55,825	**4,549,092**	**4,604,917**

	2014		
	Financial liabilities at fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total $'000
Trade payables (note 32)	—	373,144	373,144
Financial liabilities included in other payables and accruals	—	401,294	401,294
Foreign exchange forward contracts (note 27)	3,588	—	3,588
Interest-bearing bank borrowings (note 34)	—	3,352,642	3,352,642
Amounts due to non-controlling shareholders of subsidiaries (notes 35 and 36)	—	8,878	8,878
Financial liability included in other non-current liabilities	406	183	589
	3,994	4,136,141	4,140,135

48 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the management and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management. The valuation process and results are discussed with the audit committee for annual financial reporting.

The fair values of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments and club debentures are based on quoted market prices.

The Group enters into foreign exchange forward contracts with financial institutions. Foreign exchange forward contracts are measured using valuation techniques similar to forward pricing models. The models incorporate various market observable inputs including foreign exchange spot and forward rates. The carrying amounts of foreign exchange forward contracts are the same as their fair values.

At the end of the reporting period, the listed equity investments and club debentures were classified as Level 1 under the fair value hierarchy and the foreign exchange forward contracts were classified as Level 2 under the fair value hierarchy.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating-rate net borrowings).

	Change in basis point	**Change in profit before tax**
		$'000
2015	**50**	**16,068**
2014	50	15,164

(b) Foreign currency risk

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB") and United States dollars ("USD"). Foreign exchange risk mainly arises from transactions in Mainland China. The directors consider that the Group's exposure to foreign currency risk in respect of balances denominated in USD to be minimal as the Hong Kong dollar is pegged to the USD.

(i) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

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

(b) Foreign currency risk *(Continued)*

(i) *Exposure to currency risk (Continued)*

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2015		2014	
	RMB	**USD**	RMB	USD
	$'000	**$'000**	$'000	$'000
Assets	**186,195**	**404,420**	98,027	293,965
Liabilities	**(379,951)**	**(31,024)**	(371,811)	(37,062)
Gross exposure arising from recognised non-derivative assets and liabilities	**(193,756)**	**373,396**	(273,784)	256,903
Notional amounts of forward exchange contracts	**1,173,901**	**—**	1,212,648	—
Net exposure arising from recognised assets and liabilities	**980,145**	**373,396**	938,864	256,903

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

(b) Foreign currency risk *(Continued)*

(ii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit before tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2015		2014	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before tax**	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax
		$'000		$'000
RMB	**5%**	**49,007**	5%	46,943
	(5)%	**(49,007)**	(5)%	(46,943)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit before tax measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2014.

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

(c) Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the head of credit control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 42 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 54.7% (2014: 59%) of the Group's trade receivables were due from the Group's five largest customers within the trading and manufacturing segment.

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other interest-bearing loans.

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

(d) Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2015			
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**More than 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	**346,840**	**—**	**—**	**346,840**
Other payables	**493,108**	**—**	**—**	**493,108**
Interest-bearing bank borrowings	**2,047,281**	**1,826,911**	**2,546**	**3,876,738**
Foreign exchange forward contracts	**55,714**	**—**	**—**	**55,714**
Amounts due to non-controlling shareholders of subsidiaries	**932**	**7,941**	**—**	**8,873**
Financial liability included in other non-current liabilities	**—**	**298**	**—**	**298**
	2,943,875	**1,835,150**	**2,546**	**4,781,571**

	2014			
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000
Trade payables	373,144	—	—	373,144
Other payables	401,294	—	—	401,294
Interest-bearing bank borrowings	2,104,260	1,334,728	8,857	3,447,845
Foreign exchange forward contracts	3,588	—	—	3,588
Amounts due to non-controlling shareholders of subsidiaries	937	7,941	—	8,878
Financial liability included in other non-current liabilities	—	589	—	589
	2,883,223	1,343,258	8,857	4,235,338

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

(e) Equity price risk

The following table demonstrates the sensitivity to every 10% change in the fair values of the Group's equity investments, with all other variables held constant and impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments $'000	**Change in profit before tax $'000**
2015		
Investments held for trading listed in:		
— Hong Kong	**47,951**	**4,795**
— Mainland	**2,525**	**252**

	Carrying amount of equity investments $'000	Change in profit before tax $'000
2014		
Investments held for trading listed in:		
— Hong Kong	44,509	4,451
— Mainland	2,187	219

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

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group defines capital to be total equity.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is total long-term bank borrowings divided by capital. The Group's policy is to maintain the gearing ratio below 50%. The long-term bank borrowings include non-current portion of interest-bearing bank borrowings. Capital includes total equity. The gearing ratios at the end of the reporting periods were as follows:

	2015 **$'000**	2014 $'000 (Restated)
Non-current interest-bearing bank borrowings	**1,740,880**	1,314,135
Capital	**5,776,501**	5,024,454
Gearing ratio	**30.1%**	26.1%

50 ACQUISITION OF NON-CONTROLLING INTERESTS

On 28 July 2014, the Company announced that, on 25 July 2014, South China Strategic Limited (the "Transferee"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreements with Nanjing Machinery & Electronics Industrial (Group) Co., Limited (南京機電產業(集團)有限公司) (the "Transferor") and Nanjing Assets and Equity Exchange (南京產權交易中心), as the witness, for the acquisition of all the minority stakes in certain indirect non-wholly-owned subsidiaries of the Company (the "Target Subsidiaries") held by the Transferor at a total consideration of RMB34.9 million. The Target Subsidiaries, all being property holding companies, hold certain properties at Nanjing, PRC, mostly for rental income. The equity transfer agreements (signed by the Transferor and the Transferee) were submitted to Nanjing Assets and Equity Exchange (南京產權交易中心) on 25 July 2014 for its signing and the duly signed equity transfer agreements were returned on 28 July 2014. Details of the transactions were set out in the Company's announcements dated 28 July 2014. Upon completion of the transactions on 31 December 2014, the target subsidiaries became wholly-owned subsidiaries of the Group and the excess of carrying amount of non-controlling interest over consideration paid is credited to reserves as follows:

	13% of 南京微分電機有限公司	15% of 南京電力電容器有限公司	15% of 南京液壓件二廠有限公司	Total
	$'000	$'000	$'000	$'000
Consideration paid	39,668	3,202	709	43,579
Non-controlling interests acquired	(65,143)	(1,630)	(14,326)	(81,099)
	(25,475)	1,572	(13,617)	(37,520)

51 ACQUISITION OF SUBSIDIARIES

Acquisition of Elite Empire Investments Limited ("Elite Empire") and its subsidiaries ("Target Group A") and Bigwin Investments Limited ("Bigwin") and its subsidiaries ("Target Group B")

On 16 June 2015, Perennial Success Limited ("PSL") and Profit Runner Investments Limited ("PRIL"), each an indirect wholly-owned subsidiary of the Company, entered into sale and purchase agreement with Crystal Hub Limited ("CHL"), a direct wholly-owned subsidiary of SCL, pursuant to which, among other terms, CHL conditionally agreed to dispose of and PSL and PRIL conditionally agreed to acquire 100% equity interest of Target Group A and Target Group B together with the outstanding balance of all the loans made by CHL to Target Group A and Target Group B. Target Group A and Target Group B own property interest in Mainland China for development.

This acquisition has been accounted for as acquisition of assets. The transactions were completed on 7 October 2015.

51 ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of Elite Empire Investments Limited ("Elite Empire") and its subsidiaries ("Target Group A") and Bigwin Investments Limited ("Bigwin") and its subsidiaries ("Target Group B") *(Continued)*

(a) The fair values of assets and liabilities acquired of Target Group A recognised on the date of acquisition are as follows:

	Fair value on date of acquisition $'000
Property, plant and equipment	1,970
Properties under development	956,067
Prepayments, deposits and other receivables	540,946
Amount due from non-controlling shareholder of a subsidiary	17,741
Cash and bank balances	5,246
Trade payables	(46)
Other payables and accruals	(57,171)
Net assets acquired	1,464,753
Purchase consideration	
— Exercise price of Put Option for settlement of loan receivable (note 29)	700,000
— Issue of convertible preference shares	696,986
— Cash consideration	92,850
— Less: adjustment to consideration receivable from CHL	(25,083)
Total consideration	1,464,753
Cash consideration	(92,850)
Cash acquired	5,246
Net cash outflow	(87,604)

51 ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of Elite Empire Investments Limited ("Elite Empire") and its subsidiaries ("Target Group A") and Bigwin Investments Limited ("Bigwin") and its subsidiaries ("Target Group B") *(Continued)*

(b) *The fair values of assets and liabilities acquired of Target Group B recognised on the date of acquisition are as follows:*

	Fair value on date of acquisition $'000
Prepayments, deposits and other receivables	132,748
Cash and bank balances	270
Net assets acquired	133,018
Purchase consideration	
— Issue of convertible preference shares	136,712
— Cash consideration	—*
— Less: adjustment to consideration receivable from CHL	(3,694)
Total consideration	133,018
Cash consideration	—*
Cash acquired	270
Net cash inflow	270

* The cash consideration is $1.

52 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	2015 $'000	2014 $'000
Non-current asset			
Investments in subsidiaries		**4,862,638**	4,149,875
Current assets			
Other receivables		**7,471**	2,777
Financial assets at fair value through profit or loss		**34,399**	34,533
Foreign exchange forward contracts		**—**	1,011
Cash and bank balances		**28,061**	23,328
Total current assets		**69,931**	61,649
Current liabilities			
Other payables		**9,705**	12,540
Foreign exchange forward contracts		**1,586**	—
Interest-bearing bank borrowings		**272,159**	853,671
Total current liabilities		**283,450**	866,211
Net current liabilities		**(213,519)**	(804,562)
Total assets less current liabilities		**4,649,119**	3,345,313
Non-current liabilities			
Interest-bearing bank borrowings		**1,351,075**	754,450
Amounts due to subsidiaries		**1,347,000**	1,343,328
Other non-current liabilities		**111**	406
Total non-current liabilities		**2,698,186**	2,098,184
NET ASSETS		**1,950,933**	1,247,129
CAPITAL AND RESERVES			
Share capital	39	**114,488**	95,655
Reserves	41(d)	**1,836,445**	1,151,474
TOTAL EQUITY		**1,950,933**	1,247,129

53 COMPARATIVE AMOUNTS

As explained in note 2.2 to the financial statements, due to the early adoption of the Amendments to HKAS 16 and HKAS 41, *Agriculture: Bearer plants* in the current year, certain comparative amounts have been restated to conform with the current year's presentation.

54 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 29 February 2016, the Company has submitted a spin-off proposal pursuant to PN15 in relation to the proposed spin-off and separate listing of the Group's footwear trading business on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The proposed transaction has not yet been undertaken up to the date of issuance of these financial statements.

Particulars of Principal Subsidiaries

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

Name	Place of incorporation/ registration and operations	Particulars of issued/registered capital	Percentage of equity attributable to the Company	Principal activities
Autowill Limited	British Virgin Islands ("BVI")	US$1	100%	Investment holding
Beat Time Enterprises Limited	BVI	US$1	100%	Investment holding
重慶華慶農林發展有限公司 (note (d))	The PRC/ Mainland China	RMB20,000,000	100%	Forestry
Copthorne Holdings Corp.	Republic of Panama/ Hong Kong	US$200	100%	Property investment
創峰塑膠電子製品 (北流) 有限公司 (note (d))	The PRC/ Mainland China	US$1,000,000	100%	Manufacturing of toys
東莞盈峰塑膠電子製品有限公司 (note (d))	The PRC/ Mainland China	US$3,000,000	100%	Manufacturing of toys
Eastand Investments Limited	Hong Kong	$2	100%	Property investment
Everwin Toys (Dongguan) Co., Ltd (note (d))	The PRC/ Mainland China	$64,500,000	100%	Manufacturing of toys
Guang Dong Huaxin Fruit Development Co. Ltd. (note (d))	The PRC/ Mainland China	US$7,500,000	100%	Fruit plantation
海興華豐農業有限公司 (note (d))	The PRC/ Mainland China	$8,250,000	100%	Woods and crops plantation
遼寧長盛置業有限公司 (note (c))	The PRC/ Mainland China	RMB1,030,000,000	80%	Property investment
Nanjing South China Dafang Electric Co., Ltd (note (d))	The PRC/ Mainland China	RMB77,550,000	100%	Property investment
Nanjing South China Huaguan Compressor Ltd. (note (d))	The PRC/ Mainland China	RMB53,426,450	100%	Property investment
Nanjing South China Sanda Motor Co. Ltd. (note (d))	The PRC/ Mainland China	RMB18,940,000	100%	Property investment
Nanjing South China Santa Machinery Co., Ltd. (note (d))	The PRC/ Mainland China	RMB48,093,733	100%	Property investment

Particulars of Principal Subsidiaries

Name	Place of incorporation/ registration and operations	Particulars of issued/registered capital	Percentage of equity attributable to the Company	Principal activities
南京電力電容器有限公司 (notes (d), (e))	The PRC/ Mainland China	RMB1,425,400	100%	Property investment
南京液壓件二廠有限公司 (notes (d), (e))	The PRC/ Mainland China	RMB2,345,600	100%	Property investment
南京第二壓縮機有限公司 (note (d))	The PRC/ Mainland China	RMB16,756,800	100%	Property investment
南京電機有限公司 (note (d))	The PRC/ Mainland China	RMB25,261,300	100%	Property investment
南京微分電機有限公司 (notes (d), (e))	The PRC/ Mainland China	RMB29,035,500	100%	Property investment
陝西泰添農林發展有限公司 (note (d))	The PRC/ Mainland China	$1,000,000	100%	Woods and crops plantation
瀋陽華寶農林綜合開發有限公司 (note (d))	The PRC/ Mainland China	US$2,000,000	100%	Woods and crops plantation
瀋陽華凱農林開發有限公司 (note (d))	The PRC/ Mainland China	US$2,100,000	100%	Woods and crops plantation
瀋陽華瑞農林綜合開發有限公司 (note (d))	The PRC/ Mainland China	US$2,100,000	100%	Woods and crops plantation
瀋陽萬鴻星匯商業有限公司 (note (c))	The PRC/ Mainland China	RMB5,000,000	80%	Property management
South China Industries (BVI) Limited (note (a))	BVI	US$1,000	100%	Investment holding
South China Shoes Products Company Limited	Hong Kong	$500,000	100%	Trading of footwear products
South China Strategic (BVI) Limited	BVI	US$1	100%	Investment holding
South China Strategic Limited	Hong Kong	$308,593,789	100%	Investment holding
South China Strategic Properties (BVI) Limited	BVI	US$1	100%	Property investment

Name	Place of incorporation/ registration and operations	Particulars of issued/registered capital	Percentage of equity attributable to the Company	Principal activities
South China Strategic Property Development Limited	Hong Kong	$5,000,000	100%	Investment holding
Splendor Sheen Limited	BVI	US$2	100%	Investment holding
Strategic Finance Limited	Hong Kong	$2	100%	Provision of financing services
華輝玩具(郁南)有限公司 (note (d))	The PRC/ Mainland China	US$7,500,000	100%	Manufacturing of toys
泰美華升(惠州)電子有限公司 (note (d))	The PRC/ Mainland China	US$10,000,000	70%	Manufacturing and trading of electronic products
Thousand China Investments Limited	BVI	US$1	100%	Investment holding
Tianjin South China Leather Chemical Products Co. Ltd. (note (c))	The PRC/ Mainland China	RMB20,516,500	80%	Manufacturing of leather chemical products
Tianjin South China Leesheng Sporting Goods Co. Ltd. (note (c))	The PRC/ Mainland China	RMB10,213,600	80%	Manufacturing of sports products
Tianjin South China Shoes Products Co. Ltd. (note (c))	The PRC/ Mainland China	RMB36,100,200	80%	Manufacturing and trading of footwear products
Wahheng Toys (Shenzhen) Co., Ltd (note (d))	The PRC/ Mainland China	US$8,000,000	100%	Manufacturing of toys
Wah Shing (BVI) Limited	BVI	US$1,000	100%	Investment holding
Wah Shing Electronics Company Limited	Hong Kong/ Mainland China	$571,500	70%	Manufacturing and trading of toys
Wah Shing International Holdings Limited	Bermuda	$54,432,000	100%	Investment holding
Wah Shing Toys Company Limited	Hong Kong	$2 ordinary and $3,020,002 Non-voting deferred (note (b))	100%	Trading of toys

Particulars of Principal Subsidiaries

Name	Place of incorporation/ registration and operations	Particulars of issued/registered capital	Percentage of equity attributable to the Company	Principal activities
華太玩具(深圳)有限公司 (note (d))	The PRC/ Mainland China	US$5,000,000	100%	Manufacturing of toys
Welbeck Holdings Limited	BVI	US$1	100%	Investment holding
WTS International (BVI) Limited	BVI	US$1	100%	Investment holding
Wuhan Huafeng Agricultural Development Company Limited (note (d))	The PRC/ Mainland China	RMB6,000,000	100%	Forestry
武漢港洋林業發展有限公司 (note (d))	The PRC/ Mainland China	RMB1,000,000	100%	Forestry
瀋陽南華鴻基房地產開發有限公司 (note (d))	The PRC/ Mainland China	US$130,000,000	100%	Property development
天津南華譽基房地產開發展有限公司 (note (d))	The PRC/ Mainland China	$130,000,000	100%	Property development

Notes:

(a) Except for South China Industries (BVI) Limited, the principal subsidiaries are all held indirectly by the Company.

(b) The non-voting deferred shares have no voting rights and practically no entitlement to dividend of profit or distribution on winding up.

(c) These are Sino-foreign equity joint ventures established in the PRC.

(d) These are wholly-foreign-owned equity enterprises established in the PRC.

(e) During the year ended 31 December 2014, the Group acquired 13%, 15% and 15% additional equity interest in 南京微分電機有限公司, 南京電力電容器有限公司 and 南京液壓件二廠有限公司 respectively for a total cash consideration of RMB34,850,400.

The above summary lists only the subsidiaries which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Summary of Financial Information

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

RESULTS

	2015	2014	2013	2012	2011
	$'000	$'000	$'000	$'000	$'000
		(Restated)			
Revenue	**3,406,501**	3,159,789	3,013,518	2,354,199	3,103,165
Profit before tax	**237,695**	213,178	317,099	380,879	377,698
Income tax	**(86,040)**	(32,660)	(33,481)	(36,053)	(51,519)
Profit for the year	**151,655**	180,518	283,618	344,826	326,179
Attributable to:					
Owners of the Company	**156,749**	189,780	285,604	329,070	306,214
Non-controlling interests	**(5,094)**	(9,262)	(1,986)	15,756	19,965
	151,655	180,518	283,618	344,826	326,179

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2015	2014	2013	2012	2011
	$'000	$'000	$'000	$'000	$'000
		(Restated)			
Total assets	**11,440,219**	10,157,016	8,843,617	8,299,114	7,901,052
Total liabilities	**(5,663,718)**	(5,132,562)	(4,179,810)	(3,491,319)	(3,262,378)
Non-controlling interests	**(357,267)**	(380,430)	(483,756)	(835,087)	(818,728)
	5,419,234	4,644,024	4,180,051	3,972,708	3,819,946

Note: Pursuant to the transitional provisions of the Amendments to HKAS 16 and HKAS 41, *Agriculture: Bearer plants*, the Group has elected to measure the bearer plants at their fair value at the beginning of the earliest period presented (1 January 2014). As a result, financial information prior to 2014 has not been restated.

Details of Major Properties

1 INVESTMENT PROPERTIES

	Location	Group's interest	Existing use
(a)	**Hong Kong**		
	UG, G and carpark The Centrium No. 60 Wyndham Street, Central Hong Kong	30%	Commercial
	31st, 33rd and 36th floor The Centrium No. 60 Wyndham Street, Central Hong Kong	100%	Commercial
	Units A, B, C and D on 2nd Floor Units A, B, C and D on 3rd Floor Units A, B, C and D on 4th Floor Units A and B on 6th Floor Units A, B and D on 10th Floor Units A, B, C and D on 12th Floor Unit B, C and D on 13th Floor Car Parking Space Nos. 7, 17, 18 and 19 and Lorry Parking Space Nos 3, 12, 13, 21, 25 and 26 Wah Shing Centre 5 Fung Yip Street Chaiwan Hong Kong	100%	Industrial and carparking
	1st Floor of Block G Kimberley Mansion No. 15 Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	100%	Residential
	The 1st floor and 2nd floor On Lok Yuen Building and the four lavatories thereof Nos. 25, 27 & 27A Des Voeux Road Central Hong Kong	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(a)	**Hong Kong** *(Continued)*		
	Unit No. 78 on 2nd Floor Units Nos. 4, 5, 6, 7 and 8 on 3rd floor Houston Centre No. 63 Mody Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
	Ground Floor to 5th Floor (The Whole Block) Nos. 18–20 Ming Fung Street Wong Tai Sin Kowloon Hong Kong	100%	Commercial and residential
	Units J and L on 2nd Floor Private Car Parking Space Nos. G20 and G22 and Lorry Parking Space Nos. L3 and L4 on Ground Floor Kaiser Estate 2nd Phase Nos. 47–53 Man Yue Street Nos. 20–28 Man Lok Street Hunghom, Kowloon, Hong Kong	100%	Industrial and carparking
	Units A, B and C on 7th Floor and the three lavatories thereof Century House Nos. 3–4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
	Units A, B and C on 8th Floor and the three lavatories thereof Century House Nos. 3–4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(a)	**Hong Kong** *(Continued)*		
	Units B and C on 9th Floor and the two lavatories thereof Century House Nos. 3–4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
	The whole of 4th Floor McDonald's Building Nos. 46–54 Yee Wo Street Causeway Bay Hong Kong	100%	Commercial
	Unit 14 on 6th Floor Nan Fung Commercial Centre No. 19 Lam Lok Street Kowloon Bay, Kowloon Hong Kong	100%	Commercial
	Flats A, B, C and D on 1st Floor Fu Fung Building Nos. 5–7 Tsing Fung Street North Point Hong Kong	100%	Commercial
	2nd Floor No. 10A Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	100%	Residential
	Unit No. 1022 on 10th Floor, Nan Fung Centre Nos. 264–298 Castle Peak Road and Nos. 64–98 Sai Lau Kok Road Tsuen Wan New Territories Hong Kong	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(b)	**Mainland China**		
	Various buildings and a land parcel located at No. 28 Yunan North Road No. 2 Shi Zi Qiao Gulou District Nanjing City Jiangsu Province The PRC	100%	Commercial
	A building and a land parcel located at No. 32 Shi Zi Qiao Gulou District Nanjing City Jiangsu Province The PRC	100%	Commercial
	Various buildings and two land parcels located at No. 36 Zhe Fang Road Baixia District Nanjing City Jiangsu Province The PRC	100%	Commercial
	Various buildings erected upon a land parcel located at No. 855 Yingtian Da Jie (formerly No. 166 Yingtian West Road) Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial
	4th Floor No. 64 Ertiao Lane Baixia District Nanjing City Jiangsu Province The PRC	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(b)	**Mainland China** *(Continued)*		
	Various buildings and two land parcels located at No. 104 & 160 Fenghuang East Road Luhe District Nanjing City Jiangsu Province The PRC	100%	Commercial
	Various buildings and a land parcel located at No. 262 Yuhua West Road Yuhuatai District Nanjing City Jiangsu Province The PRC	100%	Commercial
	Various buildings and a land parcel located at No. 160 Honghua Village Qinhuai District Nanjing City Jiangsu Province The PRC	100%	Commercial
	A building and a land parcel located at No. 2 Tuoyuan, Nanhu Street Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial
	Various buildings and a land parcel located at No. 292 Sheng Zhou Road Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(b)	**Mainland China** *(Continued)*		
	Various buildings and a land parcel located at Zhetang Town Industrial Park Lishui County Nanjing City Jiangsu Province The PRC	100%	Industrial
	Various buildings and a land parcel located at 462 Da Gu Nan Road Hexi District Tianjin City The PRC	100%	Commercial
	Various buildings and a land parcel located at 51 Suti Road Nankai District Tianjin City The PRC	100%	Commercial/Industrial
	Various buildings and a land parcel located at San Le Road South Dianshanhu Town Kunshan City Jiangsu Province The PRC	100%	Industrial
	Unit C, 15th Floor World Trade Plaza No. 71 Wu Si Road Fuzhou City Fujian Province The PRC	100%	Commercial
	Industrial buildings located at Xiaobian Administrative Zone Industrial District No. 4 Changan Town Dougguan City Guangdong Province The PRC	100%	Industrial
	Avenue of Stars No. 168 Chaoyang Street Shenhe District Shenyang City Liaoning Province The PRC	80%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(c)	**Taiwan**		
	Unit 1 on Level 24 and portion of Basement Level 2 No. 303 Zhongming Road South West District, Tu Fu Section, Taichung City Taiwan	100%	Commercial

2 INVESTMENT PROPERTIES PRESENTED AS NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Location	Marketable floor area	Group's interest	Type
Hong Kong			
16th, 21st, 23rd, 26th floor The Centrium No. 66 Wyndham Street Central Hong Kong	44,000 sq.ft.	100%	Commercial

3 PROPERTIES UNDER DEVELOPMENT

Location	Marketable floor area	Group's interest	Type
Mainland China			
Southern Lot No. 19 Jinqiao Road Dadong District Shenyang City Liaoning Province	170,000 sq.m.	100%	Commercial and residential