四海國際集團有限公司
Cosmopolitan
International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 120)

2015 ANNUAL REPORT

Contents

Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui
(Chairman and Chief Executive Officer)
Jimmy Lo Chun To
(Vice Chairman and Managing Director)
Lo Po Man (Vice Chairman)
Kenneth Wong Po Man (Chief Operating Officer)
Kelvin Leung So Po (Chief Financial Officer)
Daniel Bong Shu Yin
Kenneth Ng Kwai Kai

Non-Executive Director

Francis Bong Shu Ying, OBE, JP

Independent Non-Executive Directors

Alice Kan Lai Kuen
Lee Choy Sang
David Li Ka Fai
Abraham Shek Lai Him, GBS, JP

AUDIT COMMITTEE

David Li Ka Fai (Chairman)
Alice Kan Lai Kuen
Lee Choy Sang
Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Alice Kan Lai Kuen (Chairman)
Lo Yuk Sui
Daniel Bong Shu Yin
Lee Choy Sang
David Li Ka Fai

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)
Daniel Bong Shu Yin
Alice Kan Lai Kuen
Lee Choy Sang
David Li Ka Fai
Abraham Shek Lai Him, GBS, JP

SECRETARY

Eliza Lam Sau Fun

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Australia and New Zealand Banking Group Limited
Deutsche Bank A.G.
Bank of Communications Co., Ltd., Hong Kong Branch

SHARE REGISTRAR IN THE CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street
Causeway Bay, Hong Kong
Tel: 2894 7888
Fax: 2890 1697
Website: www.cosmoholdings.com

Mr. Lo Yuk Sui, *aged 71; Chairman and Chief Executive Officer* — Appointed to the Board as an Executive Director in 2013. Mr. Lo also acts as the Chairman and the Chief Executive Officer of the Company since 2013. Mr. Lo has been the managing director and chairman of the respective predecessor listed companies of Century City International Holdings Limited ("CCIHL") (the ultimate listed holding company of the Company), Paliburg Holdings Limited ("PHL") (the immediate listed holding company of the Company) and Regal Hotels International Holdings Limited ("RHIHL") (a listed subsidiary of CCIHL and PHL and a listed fellow subsidiary of the Company) since 1980s. He is also an executive director, the chairman and the chief executive officer of CCIHL, PHL and RHIHL and a non-executive director and the chairman of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed subsidiary of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Jimmy Lo Chun To, *aged 42; Vice Chairman and Managing Director* — Appointed to the Board as an Executive Director in 2013. Mr. Jimmy Lo also acts as a Vice Chairman and the Managing Director of the Company since 2013. He is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director of RHIHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. He joined the Century City Group in 1998. Mr. Jimmy Lo is primarily involved in overseeing the property projects of the PHL Group in the People's Republic of China ("PRC") and, in addition, undertakes responsibilities in the business development of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, *aged 36; Vice Chairman and Executive Director* — Appointed to the Board as an Executive Director in 2013. Miss Lo also acts as a Vice Chairman of the Company since 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director, a vice chairman and the managing director of RHIHL, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor's Degree in Psychology. Miss Lo joined the RHIHL Group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the RHIHL Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Kenneth Wong Po Man, *aged 50; Executive Director and Chief Operating Officer* — Appointed to the Board in 2010 as a Non-Executive Director and re-designated as an Executive Director and the Chief Operating Officer in 2013. Mr. Wong is also an executive director of PHL. He is a qualified architect. Mr. Wong graduated from The University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor's Degree of Architecture. He also holds a Master of Science Degree in Real Estates from The University of Hong Kong. Mr. Wong has over 25 years of experience in architectural design and project management in respect of property development projects. He is also a Technical Director of an engineering company which is registered under the Buildings Ordinance of Hong Kong.

Mr. Kelvin Leung So Po, *aged 43; Executive Director and Chief Financial Officer* — Appointed to the Board in 2008 as a Non-Executive Director and re-designated as an Executive Director and the Chief Financial Officer in 2013. Mr. Leung is also an executive director of CCIHL. He has been with the Century City Group since 1997 and is involved in the corporate finance function as well as in the China business division of the Century City Group. Mr. Leung holds a Bachelor's Degree in Business Administration and a Master of Laws Degree in Chinese Business Law both from The Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants. He has over 20 years of experience in accounting and corporate finance field.

Mr. Daniel Bong Shu Yin, *aged 76; Executive Director* — Appointed to the Board in 2006. Mr. Daniel Bong had also acted as the Chairman of the Company since 2006 until he resigned from the position when the Board was reconstituted in 2013. He is a qualified architect and has extensive experience in the property and hotel fields, both in Hong Kong and overseas. Mr. Daniel Bong had been involved in the management of several public listed companies in Hong Kong, including CCIHL, PHL and RHIHL and their respective predecessor listed companies. Mr. Daniel Bong was also the deputy chairman of RHIHL until 1999 when he retired from his executive role to pursue his personal interests and investments. He is the brother of Mr. Francis Bong Shu Ying.

Mr. Kenneth Ng Kwai Kai, *aged 61; Executive Director* — Appointed to the Board in 2008 as a Non-Executive Director and re-designated as an Executive Director in 2013. Mr. Ng is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and RHIHL, and a non-executive director of RPML. He is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary.

Mr. Francis Bong Shu Ying, OBE, JP, *aged 74; Non-Executive Director* — Appointed to the Board in 2006. Mr. Francis Bong was a director of AECOM Technology Corporation, a company incorporated in the United States and listed on the New York Stock Exchange. Mr. Francis Bong holds a Bachelor's Degree of Science in Engineering from The University of Hong Kong and is a former Chairman of the Hong Kong University Engineering Advisory Committee. He is a former president of the Hong Kong Institution of Engineers, a former president of the Hong Kong Academy of Engineering Sciences and a fellow member of the Institution of Civil Engineers and The Institution of Structural Engineers in the United Kingdom. Mr. Francis Bong is also an independent non-executive director of China Merchants Holdings (International) Company Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is the brother of Mr. Daniel Bong Shu Yin.

Ms. Alice Kan Lai Kuen, *aged 61; Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2013. Ms. Kan is also an independent non-executive director of RHIHL. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services and Asia Investment Research Limited involving in research work in Hong Kong and China based companies. She is a licensed investment adviser under the Securities and Futures Ordinance of Hong Kong and a responsible officer of Asia Investment Management Limited and Asia Investment Research Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of China Energine International (Holdings) Limited, Shimao Property Holdings Limited and Shougang Concord International Enterprises Company Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Maritime Holdings Limited, a company listed on Singapore Exchange Securities Trading Limited.

Mr. Lee Choy Sang, *aged 79; Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2006. Mr. Lee has been involved in the construction industry for over 40 years. He obtained his Bachelor of Architecture Degree in The University of Hong Kong. Mr. Lee was a member of the Royal Institute of British Architects, the Royal Australian Institute of Architects and the Hong Kong Institute of Architects. He was also a registered architect in Hong Kong. He is a member of the Hong Kong Housing Society. Mr. Lee is currently a director of Silver Force (Consultants) Limited and Brilliant Force International China Heating Supply Holdings Company Limited, and is in charge of various projects in respect of the provision of services relating to energy supply and management in different regions, including Hong Kong and the PRC.

Mr. David Li Ka Fai, *aged 61; Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2006. Mr. Li is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, UK, The Institute of Chartered Secretaries and Administrators, UK as well as The Institute of Chartered Accountants in England and Wales. He is an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee of China-Hongkong Photo Products Holdings Limited and Goldlion Holdings Limited, an independent non-executive director, a member of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of China Merchants Holdings (International) Company Limited, an independent non-executive director, a member of the audit committee and the remuneration committee of AVIC International Holding (HK) Limited, and an independent non-executive director and the chairman of the audit committee of Shanghai Industrial Urban Development Group Limited and Wai Yuen Tong Medicine Holdings Limited, all of which companies are listed on the main board of the Stock Exchange.

Hon Abraham Shek Lai Him, GBS, JP, *aged 70; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2013. Mr. Shek is also an independent non-executive director of PHL and RPML. Mr. Shek holds a Bachelor's Degree of Arts. He is currently a member of the Legislative Council of the Hong Kong Special Administrative Region. He is also a member of the Court of The Hong Kong University of Science and Technology, a member of both of the Court and the Council of The University of Hong Kong, a director of The Hong Kong Mortgage Corporation Limited and a non-executive director of the Mandatory Provident Fund Scheme Authority. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, ITC Corporation Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited and SJM Holdings Limited, and an independent non-executive director of Hop Hing Group Holdings Limited, Lai Fung Holdings Limited, MTR Corporation Limited and TUS International Limited (formerly known as Jinheng Automotive Safety Technology Holdings Limited), all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2015.

FINANCIAL RESULTS

For the year ended 31st December, 2015, the Company recorded a consolidated loss attributable to shareholders of HK$344.9 million, as compared to a loss of HK$127.4 million for year 2014.

As explained in the profit warning announcement of the Company dated 15th March, 2016, the increase in the loss reported for 2015 was mainly due to the recording of a fair value loss of HK$146.4 million on derivative financial instruments in relation to the subscription option to subscribe for the optional convertible bonds granted in conjunction with the issue of the convertible bonds due 2017 of the Group in August 2014 and an impairment loss of HK$57.0 million on certain property under development. These losses are non-cash in nature and, in particular, the recognition of the fair value loss on derivative financial instruments is purely to conform to applicable accounting standards and will not have any ultimate impact on the financial position of the Group.

Furthermore, it should also be noted that while the presale programme for the residential units in the Group's composite development in Tianjin in the People's Republic of China has progressed satisfactorily, in accordance with the current accounting standards, profits from the presale of development properties in China will only be recognised after completion of the construction works and the handover of the properties to the purchasers.

As at 31st December, 2015, the Group recorded net current liabilities of HK$183.6 million, as the outstanding balance of the consideration payables aggregating HK$2,881.9 million due to the vendors in relation to the Group's acquisition of the interests in the two property development projects in Chengdu and Tianjin in 2013, repayable on or before 13th September, 2016, is now recorded as current liabilities. The existing repayment date for the consideration payables was originally set by reference to the development and sale schedules for the two development projects formulated at the time of their acquisitions. However, due to the slowdown in the property market of China as a whole since 2013, the progress of the two developments has lagged behind the original projections.

The programme for the presale of the residential units in the Tianjin development commenced in October 2015 and the progress achieved so far has been satisfactory. In the meantime, the presale of the residential units in the Chengdu development has been planned to be launched in the second quarter of 2016. The vendors of the Chengdu and Tianjin projects, to whom the consideration payables are owed, are effectively subsidiaries of P&R Holdings Limited, an intermediate holding company of the Company, and Regal Hotels International Holdings Limited, a fellow subsidiary of the Company, respectively. The Group is formulating proposals for discussions with the vendors, with a view to rescheduling the repayment date for the consideration payables to align with the latest development and sale schedules for the two development projects, which will be subject to the requisite approvals by the shareholders of the relevant companies.

BUSINESS OVERVIEW

The core business undertakings of the Group principally comprise the two composite property development projects in Tianjin and in Chengdu in Sichuan Province.

Since the beginning of 2015, the Chinese Government has been relaxing the fiscal policies controlling the property market in China, including the uplifting of the property purchase restrictions in most of the cities and the lowering of the amounts of the down payments for end user financings, with the objective to gradually reducing the high level of inventories in the primary property market. These policy changes, coupled with the increased liquidity injected into the economy through the financial sectors, have stimulated the demands from end users and investors for the residential properties in the first tier cities, with the hike in the property prices in Shenzhen most noticeable. It is expected that this positive momentum will gradually diffuse into the property market in the second and third tier cities.

Benefiting from the policy changes and its proximity to the capital city of Beijing, the property market in Tianjin has substantially improved in 2015. There are four residential towers and a commercial complex under construction in the Group's composite development in the Hedong District in Tianjin. Two of the residential towers comprising 256 apartment units have been put onto the market for presale since October 2015. Up to date, more than 96% of the marketed residential units have been presold, realising contracted sale considerations in excess of RMB671 million. The remaining two residential towers and the commercial complex are presently planned to be marketed for presale later in the year.

In the meantime, the construction works of three residential towers comprised within the first stage of the composite development undertaken by the Group in Chengdu are expected to be completed before the end of this year and the presale of the units is planned to be launched within the next quarter. The construction works of six other residential towers comprised within the second stage of the development are scheduled to be completed in the second quarter of 2017 and the units presale is expected to be launched before the end of this year.

After the year end, in January 2016, the Group entered into a framework agreement with an independent third party to form a joint venture to invest in a licensed logistics services provider in Shanghai, China. If the proposed joint venture is successfully implemented, the Group and the third party will come to own, respectively, 60% and 40% shareholding interests in the logistics group. The amounts payable to the third party under the various transactions on the formation of the joint venture aggregate to HK$57.05 million and will be satisfied through the issue of convertible bonds by the Group, convertible into new ordinary shares of the Company at an initial conversion price of HK$0.35 per share. As part of the contemplated transactions, the logistics group will also be granted an option to acquire the properties at which the logistics services are now being operated as well as certain other related property interests.

The Group considers that this proposed investment in the logistics group is in line with its investment strategy. The Group anticipates that, through the proposed joint venture with the third party, the Group will be able to diversify and broaden its business portfolio through the expansion and development of the business of the logistics group and to capitalise on the increasing market demands for logistics services by e-commerce merchants in China. The implementation of the framework agreement is conditional on a number of conditions precedent being satisfied on or before 12th April, 2016, as recently extended. Further details on the terms of and the proposed arrangements under the framework agreement are contained in the announcement of the Company dated 13th January, 2016.

Detailed information on the various ongoing property projects of the Group is contained in the section headed "Management Discussion and Analysis" in this Annual Report.

OUTLOOK

The Group believes that the economy of China will slowly stabilise and, with the policy support of the government, the property market in the second and third tier cities will gradually revive. The two core development projects of the Group in Tianjin and Chengdu are overall progressing satisfactorily. It is expected that when these projects are fully completed and sold, they will generate to the Group substantial cash flow and satisfactory profit contribution.

DIRECTORS AND STAFF

On behalf of the Board, I would like to express our gratitude to Ms. Judy Chen Qing, who resigned as an independent non-executive director and a member of the audit committee of the Company effective from 2nd October, 2015, for her valuable contributions during her tenure of office with the Company. Taking this opportunity, I would also like to thank my fellow members on the Board for their advice and support and all management and staff members for their hard work over the past year.

LO YUK SUI
Chairman

Hong Kong
22nd March, 2016

COMPOSITE DEVELOPMENT

▪ The shopping mall and commercial towers in the first stage of the composite development in Xindu District, Chengdu, Sichuan (*)

CHENGDU • MAINLAND CHINA

▪ Lobby lounge of Regal Xindu Hotel (*)

* Artist impression

▪ Regal Xindu Hotel, a five-star hotel in the first stage of the composite development – superstructure works completed

■ Residential towers in the second stage of the composite development (*)

CHENGDU • MAINLAND CHINA

■ Club house entrance plaza of the residential portion of the composite development (*)

■ Three residential towers in the first stage of the composite development – nearing completion

* Artist impression

■ A composite commercial/office/residential development in a prime location of Hedong District, Tianjin (*)

TIANJIN • MAINLAND CHINA

■ Show flat in modern western style of residential apartment in the composite development

■ Show flat in modern chinese style of residential apartment in the composite development

■ Superstructure works of the residential towers of the composite development in progress

* Artist impression

BUSINESS REVIEW

The Group is principally engaged in property development and investment, investment in financial assets and other investments.

The performance of the Group's property and other investment businesses during the year under review, their operating performance and future prospects are contained in the preceding Chairman's Statement.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in this section.

A brief review on the property projects currently undertaken by the Group in the People's Republic of China ("PRC") is set out below.

Property Development

Chengdu Project

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 residential units with car parking spaces and ancillary commercial accommodation. The construction works for these three residential towers are expected to be completed before the end of this year and the units presale is anticipated to be launched in the second quarter of this year. Having considered the current local market environment, a series of business remodeling works are being planned for the hotel, which is now anticipated to be completed in phases from early 2017. The second stage of the development comprises six residential towers with about 960 units, the construction works for which are in progress and are scheduled to be completed in the second quarter of 2017. Presale of the units is expected to be launched before the end of this year. The other components comprised within the overall development will continue to be developed in stages.

Tianjin Project

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres, which is planned for a mixed use development comprising commercial, office and residential components with total gross floor area of about 145,000 square metres. The sub-structure works for the project have been completed and superstructure works of the four residential towers are progressing. The presale of the first two residential towers comprising 256 residential units has been launched in October 2015. Up to date, more than 96% of the units have been presold, realising contracted sale considerations in excess of RMB671 million. The remaining two residential towers with 256 residential units and the commercial complex comprising mainly shops of about 19,000 square metres are presently planned to be marketed for presale later this year. The entire development is anticipated to be completed in stages from 2017.

Xinjiang Project

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed.

There has been some delay in the carrying out of the requisite remedial re-forestation works and the original schedule planned for the inspection by the relevant government authorities has been affected. The Group has taken steps to reorganise the local management team and has also appointed professional advisers to co-ordinate and assist on the necessary protective measures, with a view to restoring normal business operations for the project. Based on legal advice obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective. The Group is planning to have the required remedial re-forestation works carried out as soon as practicable, such that the inspection and measurement of the reforested area by the relevant government authorities can be resumed and the final procedures leading to the land grant listing and tender of the development land can be concluded. Should the Group successfully secure the development land and depending on the permitted land use, the Group preliminarily plans to develop on the land, in stages, a large scale mixed use development comprising residential, hotel, recreational and commercial properties.

FINANCIAL REVIEW

ASSETS VALUE

As at 31st December, 2015, the Group's net assets attributable to equity holders of the parent amounted to HK$1,040.4 million, representing approximately HK$0.16 per share (including ordinary share and convertible preference share).

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits, and treasury and yield enhancement products are deployed when circumstances are considered to be appropriate.

The acquisition of the two ongoing development projects in the PRC in 2013 has been financed by the vendors by way of deferred payment of the considerations payable for a period of 3 years, subject to the terms of the relevant sale and purchase agreements. Construction and related costs for the property projects for the time being are principally financed by internal resources and proceeds from the presale of the units. Project financing may be arranged on appropriate terms to cover a portion of the land cost and/or the construction cost, with the loan maturity matching with the estimated project completion date.

Cash Flows

Net cash flows used in operating activities during the year under review amounted to HK$181.5 million (2014 - HK$280.7 million). Net interest payment for the year amounted to approximately HK$153.1 million (2014 - HK$156.7 million).

Borrowings and Gearing

As at 31st December, 2015, the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$69.8 million (2014 - cash and bank balances and deposits, net of borrowings, of HK$180.3 million).

As at 31st December, 2015, excluding the consideration payables owned to the vendors for the acquisition of the property development projects, the gearing ratio of the Group was 1.3% (2014 - no gearing), representing the Group's borrowings net of cash and bank balances and deposits of HK$69.8 million (2014 - net cash balance of HK$180.3 million), as compared to the total assets of the Group of HK$5,510.0 million (2014 - HK$ 5,400.7 million).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2015 are shown in note 22 to the financial statements.

Pledge of Assets

The Group's equity interests in the relevant holding companies of the Group's property development projects were pledged to secure the consideration payables and the related interest payables in respect of the acquisition of certain property development projects in September 2013.

There was no pledge of assets as at 31st December, 2015 to secure general banking facility granted to the Group.

As at 31st December, 2014, certain of the Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK$13.8 million were pledged to secure general banking facilities granted to the Group.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2015 are shown in note 32 to the financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2015 are shown in note 33 to the financial statements.

Share Capital

During the year under review, there was no change in the share capital of the Company.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

During the year under review, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

STAFF AND REMUNERATION POLICY

The Group employs approximately 110 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the its subsidiaries for the year ended 31st December, 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are property development and investment, investment in financial assets and other investments. There have been no significant changes in these activities during the year.

The turnover and contribution to trading results by each principal activity are set out in note 4 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2015 and the Group's financial position at that date are set out in the financial statements on pages 36 to 106.

DIVIDEND

No interim dividend was paid to the holders of ordinary shares during the year.

The Directors have resolved not to recommend the payment of a final dividend to the holders of ordinary shares for the year ended 31st December, 2015 (2014 - Nil).

ANNUAL GENERAL MEETING

The 2016 Annual General Meeting of the Company will be convened to be held on Thursday, 2nd June, 2016. Relevant notice of the Meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and repurchase ordinary shares (the "Circular") to be sent to the shareholders, together with this Annual Report.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders of the Company will be closed from Tuesday, 31st May, 2016 to Thursday, 2nd June, 2016, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2016 Annual General Meeting, and no transfers of ordinary shares will be effected during such period. In order to be entitled to attend and vote at the 2016 Annual General Meeting, all transfers of ordinary shares and/or conversions of the convertible securities, duly accompanied by the relevant share certificates and/or the certificates of the convertible securities, together with, where appropriate, the relevant conversion notices, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Monday, 30th May, 2016.

BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap. 622) of Hong Kong, including a description of the principal risks and uncertainties facing the Group, material events that have occurred since the year end date and an indication of likely future development in the Group's business are contained in the preceding Chairman's Statement and Management Discussion and Analysis set out on pages 7 to 9 and pages 13 to 15, respectively, of this Annual Report. Those discussions form part of this Report of the Directors. In addition, details of the Group's financial risk management are disclosed in note 36 to the financial statements.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Kenneth Wong Po Man
Mr. Kelvin Leung So Po
Mr. Daniel Bong Shu Yin
Mr. Kenneth Ng Kwai Kai
Mr. Francis Bong Shu Ying
Ms. Alice Kan Lai Kuen
Mr. Lee Choy Sang
Mr. David Li Ka Fai
Hon Abraham Shek Lai Him, GBS, JP

During the year, Ms. Judy Chen Qing, JP resigned as an Independent Non-Executive Director and a member of the Audit Committee with effect from 2nd October, 2015.

In accordance with Article 116 of the Articles of Association of the Company, the following Directors will retire from office by rotation at the 2016 Annual General Meeting:

(i) Mr. Jimmy Lo Chun To (Vice Chairman, Executive Director and Managing Director);

(ii) Miss Lo Po Man (Vice Chairman and Executive Director);

(iii) Mr. Francis Bong Shu Ying (Non-Executive Director); and

(iv) Ms. Alice Kan Lai Kuen (Independent Non-Executive Director).

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2016 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), will be set out in the Circular.

The Company has received from each of the four incumbent Independent Non-Executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all of these Independent Non-Executive Directors are independent.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed, none of the Directors of the Company nor a connected entity of the Directors had any beneficial interests, whether direct or indirect, in any significant transactions, arrangements or contracts to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party at the end of the reporting period or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiaries during the year.

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement whose objects are to enable a Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the share option scheme of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, named as "The Century City International Holdings Limited Share Option Scheme" and the share option scheme of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company, named as "The Paliburg Holdings Limited Share Option Scheme" (collectively, the "Schemes").

There were no options granted or exercised under any of the Schemes during the year. The life of all the Schemes ended on 15th June, 2015.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year. The Company has taken out and maintained directors' liability insurance that provides appropriate cover for the Directors.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are 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:

				Number of shares held			
	The Company/ Name of associated corporation	**Name of Director**	**Class of shares held**	**Personal interests**	**Corporate interests**	**Family/Other interests**	**Total (Approximate percentage of the issued shares as at 31st December, 2015)**
1.	**The Company**	Mr. Lo Yuk Sui	Ordinary				
			(i) (issued)	–	2,994,776,716 (Note e)	–	2,994,776,716
			(ii) (unissued)	–	4,683,461,057 (Note f)	–	4,683,461,057
						Total:	7,678,237,773 (180.65%)
			Preference (issued)	–	2,004,889,629 (Note f)	–	2,004,889,629 (85.46%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.03%)
2.	CCIHL	Mr. Lo Yuk Sui	Ordinary (issued)	109,591,396	1,769,164,691 (Note a)	380,683	1,879,136,770 (58.65%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	–	–	4,000 (0.000%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2015)
2.	CCIHL	Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
3.	PHL	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,396,803 (Note b)	15,000	830,489,817 (74.51%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	50,185	–	–	50,185 (0.005%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)
4.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	618,309,261 (Note c)	260,700	618,594,161 (66.94%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)

Notes:

(a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").

(b) The interests in 693,660,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.64% shareholding interests.

The interests in 16,271,685 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

(c) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.64% shareholding interests. The interests in 598,193,861 issued ordinary shares of RHIHL were held through companies wholly owned by PHL, in which CCIHL held 62.23% shareholding interests. The interests in the other 19,694,000 issued ordinary shares of RHIHL were held through a wholly owned subsidiary of the Company, in which P&R Holdings Limited ("P&R Holdings") (which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries) held 64.26% shareholding interests. PHL held 66.87% shareholding interests in RHIHL.

(d) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.

(e) The interests in 2,731,316,716 issued ordinary shares of the Company were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. The interests in the other 263,460,000 issued ordinary shares of the Company were held through wholly owned subsidiaries of RHIHL. PHL, in which CCIHL held 62.23% shareholding interests, held 66.87% shareholding interests in RHIHL. Mr. Lo held 58.64% shareholding interests in CCIHL.

(f) The interests in 4,683,461,057 unissued ordinary shares of the Company were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.23% shareholding interests, held 66.87% shareholding interests in RHIHL. Mr. Lo held 58.64% shareholding interests in CCIHL.

The interests in 2,004,889,629 unissued ordinary shares of the Company are derivative interests held through interests in 2,004,889,629 convertible preference shares of the Company, convertible into new ordinary shares of the Company on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,428,571,428 unissued ordinary shares of the Company are derivative interests held through interests in the convertible bonds in the principal amount of HK$500,000,000 issued by a wholly owned subsidiary of the Company. The convertible bonds are convertible into new ordinary shares of the Company at a conversion price of HK$0.35 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

The interests in 1,250,000,000 unissued ordinary shares of the Company are derivative interests held through interests in the possible subscription for the optional convertible bonds in a principal amount of HK$500,000,000 to be issued by a wholly owned subsidiary of the Company pursuant to the subscription agreement dated 30th April, 2014 (as supplemented by a supplemental agreement dated 19th June, 2014) entered into between the Company and P&R Holdings. The optional convertible bonds, if subscribed for and issued, will be convertible into new ordinary shares of the Company at a conversion price of HK$0.40 per ordinary share (subject to adjustments in accordance with the terms of the optional convertible bonds).

(g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of the Company. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of RHIHL. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of PHL. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. The Company were held as to 64.26% shareholding interests by P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.23% shareholding interests, held 66.87% shareholding interests in RHIHL. Mr. Lo held 58.64% shareholding interests in CCIHL.

Save as disclosed herein, as at 31st December, 2015, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2015, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying (unissued) ordinary shares held	Total number of ordinary shares (issued and underlying (unissued)) held	Approximate percentage of issued ordinary shares as at 31st December, 2015
YSL International Holdings Limited ("YSL Int'l") (Note i)	2,994,776,716	4,683,461,057	7,678,237,773	180.65%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	2,994,776,716	4,683,461,057	7,678,237,773	180.65%
CCIHL (Note iii)	2,994,776,716	4,683,461,057	7,678,237,773	180.65%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	2,994,776,716	4,683,461,057	7,678,237,773	180.65%
PHL (Note v)	2,994,776,716	4,683,461,057	7,678,237,773	180.65%
Paliburg Development BVI Holdings Limited (Note vi)	2,994,776,716	4,683,461,057	7,678,237,773	180.65%
RHIHL (Note vii)	2,994,776,716	4,683,461,057	7,678,237,773	180.65%
Regal International (BVI) Holdings Limited (Note viii)	2,994,776,716	4,683,461,057	7,678,237,773	180.65%
Capital Merit Investments Limited (Note vi)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
Regal Hotels Investments Limited (Note viii)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
P&R Holdings (Note ix)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
Interzone Investments Limited (Note x)	–	1,428,571,428	1,428,571,428	33.61%
Valuegood International Limited (Note x)	953,625,000	179,031,239	1,132,656,239	26.65%
Lendas Investments Limited (Note x)	294,107,609	647,915,205	942,022,814	22.16%
Space Capital Investments Limited (Note xi)	333,750,000	340,597,727	674,347,727	15.87%
Giant Sino Group Limited (Note xi)	333,750,000	340,597,727	674,347,727	15.87%
Jumbo Pearl Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.56%
Sun Joyous Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.56%
Time Crest Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.56%
Well Mount Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.56%
Winart Investments Limited (Note x)	270,000,000	4,643,905	274,643,905	6.46%
Tenshine Limited (Note viii)	263,460,000	–	263,460,000	6.20%

Notes:

(i) The interests in the ordinary shares of the Company held by YSL Int'l were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.

(ii) Grand Modern is a wholly owned subsidiary of YSL Int'l and its interests in the ordinary shares of the Company were included in the interests held by YSL Int'l.

(iii) CCIHL is owned as to 50.89% by Grand Modern and its interests in the ordinary shares of the Company were included in the interests held by Grand Modern.

(iv) CCBVI is a wholly owned subsidiary of CCIHL and its interests in the ordinary shares of the Company were included in the interests held by CCIHL.

(v) PHL is a listed subsidiary of CCIHL, which held 62.23% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company were included in the interests held by CCIHL.

(vi) These companies are wholly owned subsidiaries of PHL and their interests in the ordinary shares of the Company were included in the interests held by PHL.

(vii) RHIHL is a listed subsidiary of PHL, which held 66.87% shareholding interests in RHIHL, and RHIHL's interests in the ordinary shares of the Company were included in the interests held by PHL.

(viii) These companies are wholly owned subsidiaries of RHIHL and their interests in the ordinary shares of the Company were included in the interests held by RHIHL.

(ix) P&R Holdings is owned as to 50% each by PHL and RHIHL, through their respective wholly owned subsidiaries, and P&R Holdings' interests in the ordinary shares of the Company were included in the interests held by PHL and RHIHL.

(x) These companies are wholly owned subsidiaries of P&R Holdings and their interests in the ordinary shares of the Company were included in the interests held by P&R Holdings.

(xi) Giant Sino Group Limited is a wholly owned subsidiary of Space Capital Investments Limited, which in turn is owned as to 28% by Mr. Daniel Bong Shu Yin (an Executive Director of the Company).

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31st December, 2015, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

(1) Mr. Lo Yuk Sui is a director of YSL Int'l.

(2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Miss Lo Po Man are directors of Grand Modern.

(3) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kelvin Leung So Po and Mr. Kenneth Ng Kwai Kai are directors of CCIHL and CCBVI.

(4) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man, Mr. Kenneth Ng Kwai Kai and Hon Abraham Shek Lai Him, GBS, JP are directors of PHL.

(5) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly owned subsidiaries of PHL which are substantial shareholders as named above, P&R Holdings and the wholly owned subsidiaries of P&R Holdings which are substantial shareholders as named above.

(6) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Ms. Alice Kan Lai Kuen and Mr. Kenneth Ng Kwai Kai are directors of RHIHL.

(7) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly owned subsidiaries of RHIHL which are substantial shareholders as named above.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the interim report of the Company for the six months ended 30th June, 2015 is set out below:

Name of Director	Details of changes
Executive Directors:	
Mr. Lo Suk Sui	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$76,000 commencing from January 2016. (Notes)
Mr. Jimmy Lo Chun To	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$40,000 commencing from January 2016. (Note (i))
Miss Lo Po Man	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$30,000 commencing from January 2016. (Note (i))
Mr. Kenneth Wong Po Man	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$35,200 commencing from January 2016. (Note (i))
Mr. Kelvin Leung So Po	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$31,000 commencing from January 2016. (Note (i))
Mr. Daniel Bong Shu Yin	• Entitled to a monthly salary, based on services rendered to the Group, in an amount of HK$191,300 commencing from January 2016. (Notes)
Mr. Kenneth Ng Kwai Kai	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$33,750 commencing from January 2016. (Note (i))
Independent Non-Executive Director:	
Hon Abraham Shek Lai Him, GBS, JP	• Ceased to act as an independent non-executive director of Dorsett Hospitality International Limited ("Dorsett") with effect from 11th March, 2016. The shares of Dorsett were withdrawn from listing on the Stock Exchange as from the close of trading on 16th October, 2015.

Notes:

(i) Each Executive Director is also entitled to a performance based discretionary bonus and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK$100,000 per annum in acting as a Director of the Company. Details of the remuneration of the Executive Directors for the year ended 31st December, 2015 are disclosed in note 8 to the financial statements.

(ii) Mr. Lo Yuk Sui, Mr. Daniel Bong Shu Yin and the Independent Non-Executive Directors, who are also the chairman or members of the Nomination Committee and/or the Remuneration Committee of the Company, are entitled to normal fee of HK$30,000 per annum in acting as the chairman or a member of each of such board committees. Details of the remuneration of all Directors for the year ended 31st December, 2015 are disclosed in note 8 to the financial statements.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the Cayman Islands, being the jurisdiction in which the Company was incorporated, and there is no provision relating to pre-emptive rights stipulated in the Articles of Association of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's turnover during the year under review was substantially derived from trading of financial assets, and most of the trading transactions were conducted on the Stock Exchange through brokers of financial assets, and thus the disclosure of the customers and suppliers information would not be meaningful.

SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

The details of movements in the share capital and share premium account of the Company, together with the reasons therefor, during the year are set out in note 26 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 1 to the financial statements.

A JOINT VENTURE

Particulars of the Group's investment in a joint venture are set out in note 15 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2015, Company's reserves available for distribution calculated in accordance with the laws of the Cayman Islands amounted to HK$1,527,056,000.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 37 to the financial statements.

AUDITORS

Ernst & Young retire, and being eligible, offer themselves for re-appointment.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong
22nd March, 2016

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2015.

The Company is committed to maintaining good corporate governance practices and procedures. Review of existing policies and practices in respect of the management and corporate matters of the Group has been conducted by the Company. Enhancement to the current standards for complying with new requirements, revision of the existing policies and practices and introduction of appropriate new measures have been implemented. Periodic review of the system and controls within the Group will be carried out by the Company to comply with the prevailing standards and requirements of good corporate governance.

(I) CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31st December, 2015, except that:

(1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.

(2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Articles of Association of the Company, all Directors (including the Non-Executive Director and the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

(II) BOARD OF DIRECTORS

The Board currently comprises the following members:

Executive Directors:

Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*
Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)*
Miss Lo Po Man *(Vice Chairman)*
Mr. Kenneth Wong Po Man *(Chief Operating Officer)*
Mr. Kelvin Leung So Po *(Chief Financial Officer)*
Mr. Daniel Bong Shu Yin
Mr. Kenneth Ng Kwai Kai

Non-Executive Director:

Mr. Francis Bong Shu Ying

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen
Mr. Lee Choy Sang
Mr. David Li Ka Fai
Hon Abraham Shek Lai Him, GBS, JP

Ms. Judy Chen Qing, JP, who was an Independent Non-Executive Director of the Company, resigned with effect from 2nd October, 2015.

The personal and biographical details of the Directors, including the relationship among them, are disclosed in the preceding section headed "Directors' Profile" contained in this Annual Report.

During the year ended 31st December, 2015, the Company has fully complied with Rules 3.10 and 3.10A of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-Executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

The Board conducts regular meetings to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to Board members in a timely manner in order to enable them to discharging their duties.

All material policies and decisions remain within the authority of the Board as a whole. The Board only delegates authorities to management to an extent that would not significantly hinder or reduce the ability of the Board to discharge its proper functions as a whole. The functions of the Board and those delegated to management of the Company are properly distinguished and clarified. Review of the formalised arrangements will be carried out on a periodic basis to ensure that they remain appropriate to the needs of the Company. The Board is also responsible for developing, reviewing and/or monitoring the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements.

In year 2015, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	**Attendance**	
	Board Meetings	*General Meetings*
Executive Directors		
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	4/4	1/1
Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)*	4/4	1/1
Miss Lo Po Man *(Vice Chairman)*	4/4	1/1
Mr. Kenneth Wong Po Man *(Chief Operating Officer)*	4/4	1/1
Mr. Kelvin Leung So Po *(Chief Financial Officer)*	4/4	1/1
Mr. Daniel Bong Shu Yin	4/4	1/1
Mr. Kenneth Ng Kwai Kai	3/4	1/1
Non-Executive Director		
Mr. Francis Bong Shu Ying	4/4	1/1
Independent Non-Executive Directors		
Ms. Judy Chen Qing, JP#	0/3	0/1
Ms. Alice Kan Lai Kuen	4/4	1/1
Mr. Lee Choy Sang	4/4	1/1
Mr. David Li Ka Fai	4/4	1/1
Hon Abraham Shek Lai Him, GBS, JP	3/4	1/1

(resigned on 2nd October, 2015)

The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary. In addition, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In the year 2015, the Company arranged for Directors a seminar covering topics on certain listing requirements under the Listing Rules and some update on market development and regulatory requirements in respect of investment trust. The training received by the Directors during the year 2015 is summarised below:

Name of Directors	**Types of training**
Executive Directors	
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	A, B
Mr. Jimmy Lo *(Vice Chairman and Managing Director)*	A, B
Miss Lo Po Man *(Vice Chairman)*	A, B
Mr. Kenneth Wong Po Man *(Chief Operating Officer)*	A, B
Mr. Kelvin Leung So Po *(Chief Financial Officer)*	A, B
Mr. Daniel Bong Shu Yin	A, B
Mr. Kenneth Ng Kwai Kai	A, B
Non-Executive Director	
Mr. Francis Bong Shu Ying	A, B
Independent Non-Executive Directors	
Ms. Judy Chen Qing, JP[#]	B
Ms. Alice Kan Lai Kuen	A, B
Mr. Lee Choy Sang	A, B
Mr. David Li Ka Fai	A, B
Hon Abraham Shek Lai Him, GBS, JP	A, B

A - Attending briefings/seminars/conferences/forums
B - Reading/studying training or other materials

[#] (resigned on 2nd October, 2015)

(III) BOARD COMMITTEES

There are three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, established by the Board for overseeing different functions delegated by the Board.

(a) Audit Committee

The Audit Committee was established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee currently comprises the following members:

Independent Non-Executive Directors:

Mr. David Li Ka Fai *(Chairman of the Committee)*
Ms. Alice Kan Lai Kuen *(Member)*
Mr. Lee Choy Sang *(Member)*
Hon Abraham Shek Lai Him, GBS, JP *(Member)*

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim and annual financial statements.

As both the Board and the Audit Committee recommended to re-appoint the current external Auditors, Messrs. Ernst & Young, no circumstances exist as would require an explanation from the Audit Committee as to why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditors.

In year 2015, the Audit Committee met twice and the meetings were attended by the external Auditors of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	Attendance
Mr. David Li Ka Fai *(Chairman of the Committee)*	2/2
Ms. Judy Chen Qing, JP *(resigned on 2nd October, 2015)*	0/2
Ms. Alice Kan Lai Kuen	2/2
Mr. Lee Choy Sang	2/2
Hon Abraham Shek Lai Him, GBS, JP	2/2

(b) Remuneration Committee

The Remuneration Committee was established with specific written terms of reference that deal with its authority and duties. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange. The principal responsibilities of the Remuneration Committee are to review the remuneration of individual Directors and senior management and to make recommendations to the Board on the policy and structure for the determination of the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy of the Company on such matters.

The Remuneration Committee currently comprises the following members:

Executive Director:

Mr. Lo Yuk Sui *(Member)*

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen *(Chairman of the Committee)*
Mr. Daniel Bong Shu Yin *(Member)*
Mr. Lee Choy Sang *(Member)*
Mr. David Li Ka Fai *(Member)*

Mr. Kenneth Ng Kwai Kai, an Executive Director of the Company, has acted as the Secretary of the Committee.

In year 2015, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	**Attendance**
Ms. Alice Kan Lai Kuen *(Chairman of the Committee)*	1/1
Mr. Lo Yuk Sui	1/1
Mr. Daniel Bong Shu Yin	1/1
Mr. Lee Choy Sang	1/1
Mr. David Li Ka Fai	1/1

Pursuant to the terms of reference of the Remuneration Committee, the Remuneration Committee is delegated to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment).

The remuneration of the senior management (comprising Executive Directors) of the Company for the year ended 31st December, 2015 by band is set out below:

Remuneration band	**Number of individuals**
HK$500,001 – 1,000,000	4
HK$1,000,001 – 1,500,000	2
HK$2,500,001 – 3,000,000	1

Further details of the Executive Directors' remuneration for the year ended 31st December, 2015 are disclosed in note 8 to the financial statements contained in this Annual Report.

(c) Nomination Committee

The Nomination Committee was established with specific written terms of reference by the Board for the purpose of making recommendations to the Board in relation to the nomination and appointment of Directors, with a view to ensuring fairness and transparency in the nomination and selection procedures. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises the following members:

Executive Director:

Mr. Lo Yuk Sui *(Chairman of the Committee)*

Independent Non-Executive Directors:

Mr. Daniel Bong Shu Yin *(Member)*
Ms. Alice Kan Lai Kuen *(Member)*
Mr. Lee Choy Sang *(Member)*
Mr. David Li Ka Fai *(Member)*
Hon Abraham Shek Lai Him, GBS, JP *(Member)*

The Company views diversity at the Board level essential for attaining the Group's strategic and business objectives as well as ensuring its sustainable development. A Board Diversity Policy has been adopted to set out policy for designing the composition of the Board with diversity in Board members having balanced skills and expertise. The diversity of the Board members should be assessed on a diversity of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional knowledge, industry experience, skills and other individual qualities. The Nomination Committee will discuss and review annually the structure, size and composition of the Board and agree on measurable objectives for achieving diversity on the Board and make relevant recommendation to the Board for adoption.

In year 2015, the Nomination Committee met once to review and assess the overall diversity of the composition of the Board with reference to the various aspects as set out in the Board Diversity Policy. The attendance rates of individual Nomination Committee members of the Company were as follows:

Name of Nomination Committee members	**Attendance**
Mr. Lo Yuk Sui *(Chairman of the Committee)*	1/1
Mr. Daniel Bong Shu Yin	1/1
Ms. Alice Kan Lai Kuen	1/1
Mr. Lee Choy Sang	1/1
Mr. David Li Ka Fai	1/1
Hon Abraham Shek Lai Him, GBS, JP	1/1

(IV) DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view of the state of affairs of the Group, and ensuring that appropriate accounting policies are selected and applied consistently and that the financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors will also ensure that the financial statements are published in a timely manner. As a manpower policy of the Group, which is subject to regular review by the Directors and senior management, adequate resources have been allocated to the accounting and financial reporting function with staff members possessing appropriate qualifications and experience engaged in the discharge of the relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis, and a reasonable budget has been allocated for continuous professional development purposes.

The statement by the external Auditors, Messrs. Ernst & Young, about their reporting responsibilities is set out in the Independent Auditors' Report contained in this Annual Report.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, save for a material uncertainty as mentioned under the paragraph of "Emphasis of matter" in the Independent Auditors' Report contained in this Annual Report, they are not aware of other material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(V) DIRECTORS' 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 the code of conduct governing the securities transactions by the Directors of the Company.

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code during the year ended 31st December, 2015.

(VI) RISK MANAGEMENT AND INTERNAL CONTROL

The Board has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group during the year, including financial, operational and compliance controls and risk management and internal control functions, with a view to safeguarding the shareholders' investment and the Company's assets and business operations. The risk management and internal control systems of the Group are considered effective and adequate.

Management of the Company has put into effect a set of corporate policies and procedures for the principal business operations of the Group, with an objective to achieving sound and effective risk management and internal control systems. Separate meetings participated by Executive Directors, Group Financial Controller and related division heads are held regularly to review the effectiveness of the risk management and internal control systems, to identify any significant management and operational risks as well as control failings or weaknesses, and also to review the need for any control improvements or updating to respond to changes in the business and external environment. While the regular monitoring of the risk management and internal control mechanisms is mainly conducted by the delegated Executive Directors and senior management staff members, support and advice from external consultants and professionals are sought as and when required.

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and for reviewing the effectiveness of such systems. Accordingly, while periodic committee meetings are held with the delegated Executive Directors and senior management staff members, clear instructions have been provided to management of the Company that any material issues relating to the risk management and internal control systems, particularly any incidence of significant control failings or weaknesses that has had, or might have, a material impact on the business of the Group is to be reported to the Board and the Audit Committee of the Company on a timely basis.

The Company has established policy for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Senior management executives of the corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior management executives and on "as needed" basis, until proper disclosure or dissemination of inside information in accordance with applicable laws and regulations. Relevant personnels and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed.

In addition, the Group's internal auditor has selected different aspects of the internal control system for his review on a regular basis and has confirmed to the Audit Committee that no material deficiency is noted.

(VII) AUDITORS' REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditors of the Company at the 2015 Annual General Meeting until the conclusion of the forthcoming 2016 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditors of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2015 were HK$1,258,000 (2014 - HK$1,050,000) and HK$327,000 (2014 - HK$350,000), respectively. The significant non-audit services covered by these fees are as follows:

Nature of services	**Fees paid (HK$'000)**
Interim review of the financial statements of the Group for the six months ended 30th June, 2015	327

(VIII) SHAREHOLDERS' RIGHT

Extraordinary general meetings may be convened upon receipt of written request submitted by two members of the Company. Such written requisition must state the purposes of the meeting, and be signed by the requisitionists and deposited at the Head Office of the Company at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong (for the attention of the Company Secretary). If the Directors do not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company.

Shareholders may also send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company at the abovementioned address (for the attention of the Company Secretary).

During the year ended 31st December, 2015, the Company has not made any changes to its Articles of Association. A consolidated version of the Memorandum and Articles of Association of the Company is available on the website of the Company.

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**9,152**	(7,867)
Cost of sales		**–**	–
Gross profit/(loss)		**9,152**	(7,867)
Other income	5	**2,842**	3,263
Fair value gain/(loss) on derivative financial instruments in relation to convertible bonds		**(146,415)**	23,338
Fair value losses on other financial assets at fair value through profit or loss, net		**(8,996)**	(666)
Impairment loss on property under development		**(57,000)**	–
Property selling and marketing expenses		**(12,637)**	–
Administrative expenses		**(62,446)**	(69,125)
OPERATING LOSS BEFORE DEPRECIATION		**(275,500)**	(51,057)
Depreciation		**(4,474)**	(1,520)
OPERATING LOSS		**(279,974)**	(52,577)
Finance costs	7	**(108,984)**	(104,372)
Share of profit of a joint venture		**29,770**	29,767
LOSS BEFORE TAX	6	**(359,188)**	(127,182)
Income tax	10	**14,250**	(179)
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**(344,938)**	(127,361)

	Note	2015 HK$'000	2014 HK$'000
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**(344,938)**	(127,361)
Attributable to:			
Equity holders of the parent		**(344,938)**	(127,361)
Non-controlling interests		**–**	–
		(344,938)	(127,361)
LOSS PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK(5.2) cents**	HK(2.8) cents
Diluted		**HK(5.2) cents**	HK(2.8) cents

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2015

	2015 HK$'000	2014 HK$'000
LOSS FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(344,938)**	(127,361)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	**(125,438)**	(54,920)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(470,376)**	(182,281)
Attributable to:		
Equity holders of the parent	**(470,376)**	(182,281)
Non-controlling interests	**–**	–
	(470,376)	(182,281)

Consolidated Statement of Financial Position

As at 31st December, 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**37,153**	15,804
Properties under development	14	**1,297,349**	1,305,087
Investment in a joint venture	15	**575,639**	575,639
Goodwill	16	**235,090**	234,522
Prepayments	17	**71,607**	69,689
Total non-current assets		**2,216,838**	2,200,741
CURRENT ASSETS			
Properties under development	14	**2,664,931**	2,379,674
Debtors, deposits and prepayments	17	**36,322**	29,493
Financial assets at fair value through profit or loss	18	**194,569**	160,279
Restricted cash	19	**131,330**	–
Pledged time deposits		**–**	6,337
Time deposits		**12,790**	56,956
Cash and bank balances		**253,248**	567,186
Total current assets		**3,293,190**	3,199,925
CURRENT LIABILITIES			
Creditors and accruals	20	**(277,497)**	(158,368)
Other payables	21	**(2,881,901)**	–
Deposits received		**(313,555)**	(3,481)
Interest bearing bank borrowing	22	**–**	(4,000)
Derivative financial instruments	23	**(2,824)**	(1,411)
Tax payable		**(1,005)**	(1,016)
Total current liabilities		**(3,476,782)**	(168,276)
NET CURRENT ASSETS/(LIABILITIES)		**(183,592)**	3,031,649
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,033,246**	5,232,390

Consolidated Statement of Financial Position (Cont'd)

As at 31st December, 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT LIABILITIES			
Other payables	21	–	(2,881,901)
Convertible bonds	24	**(467,191)**	(446,223)
Derivative financial instruments	23	**(177,361)**	(30,946)
Deferred tax liabilities	25	**(348,286)**	(362,536)
Total non-current liabilities		**(992,838)**	(3,721,606)
Net assets		**1,040,408**	1,510,784
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	26	**13,193**	13,193
Reserves	27	**1,027,189**	1,497,565
		1,040,382	1,510,758
Non-controlling interests		**26**	26
Total equity		**1,040,408**	1,510,784

KELVIN LEUNG SO PO
Director

JIMMY LO CHUN TO
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2015

	Notes	Attributable to equity holders of the parent											
		Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Exchange equalisation reserve HK$'000	Contributed surplus# HK$'000	Equity component of convertible bonds HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January, 2014		4,398	974,859	209	1,018	17,096	26,801	–	(1,076)	221,487	1,244,792	26	1,244,818
Loss for the year		–	–	–	–	–	–	–	–	(127,361)	(127,361)	–	(127,361)
Other comprehensive loss for the year:													
Exchange differences on translating foreign operations		–	–	–	–	(54,920)	–	–	–	–	(54,920)	–	(54,920)
Total comprehensive loss for the year		–	–	–	–	(54,920)	–	–	–	(127,361)	(182,281)	–	(182,281)
Issue of shares	26(iii)	8,795	430,966	–	–	–	–	–	–	–	439,761	–	439,761
Share issue expenses	26(iii)	–	(3,262)	–	–	–	–	–	–	–	(3,262)	–	(3,262)
Issue of convertible bonds	24	–	–	–	–	–	–	11,748	–	–	11,748	–	11,748
At 31st December, 2014		13,193	1,402,563*	209*	1,018*	(37,824)*	26,801*	11,748*	(1,076)*	94,126*	1,510,758	26	1,510,784

Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31st December, 2015

	Attributable to equity holders of the parent											
	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Exchange equalisation reserve HK$'000	Contributed surplus# HK$'000	Equity component of convertible bonds HK$'000	Other reserve HK$'000	Retained profits/ (Accumulated loss) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January, 2015	13,193	1,402,563	209	1,018	(37,824)	26,801	11,748	(1,076)	94,126	1,510,758	26	1,510,784
Loss for the year	-	-	-	-	-	-	-	-	(344,938)	(344,938)	-	(344,938)
Other comprehensive loss for the year:												
Exchange differences on translating foreign operations	-	-	-	-	(125,438)	-	-	-	-	(125,438)	-	(125,438)
Total comprehensive loss for the year	-	-	-	-	(125,438)	-	-	-	(344,938)	(470,376)	-	(470,376)
At 31st December, 2015	13,193	1,402,563*	209*	1,018*	(163,262)*	26,801*	11,748*	(1,076)*	(250,812)*	1,040,382	26	1,040,408

* These reserve accounts comprise the consolidated reserves of HK$1,027,189,000 (2014 - HK$1,497,565,000) in the consolidated statement of financial position.

\# The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's reorganisation in 1991, net of subsequent distributions therefor. Under the Companies Law of the Cayman Islands, the contributed surplus is distributable under certain specific circumstances.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(359,188)**	(127,182)
Adjustments for:			
Finance costs	7	**108,984**	104,372
Share of profit of a joint venture		**(29,770)**	(29,767)
Interest income	5	**(3,317)**	(7,161)
Loss on disposal of items of property, plant and equipment	6	**10**	1
Depreciation	6	**4,474**	1,520
Fair value loss/(gain) on derivative financial instruments in relation to convertible bonds		**146,415**	(23,338)
Fair value losses on other financial assets at fair value through profit or loss, net		**8,996**	666
Impairment loss on property under development	6	**57,000**	–
		(66,396)	(80,889)
Additions to properties under development		**(254,652)**	(129,946)
Decrease/(Increase) in debtors, deposits and prepayments		**527**	(32,332)
Increase in financial assets at fair value through profit or loss		**(41,873)**	(43,489)
Increase in restricted cash		**(131,330)**	–
Increase/(Decrease) in creditors and accruals		**(12,542)**	2,489
Increase/(Decrease) in deposits received		**323,327**	(3,138)
Cash used in operations		**(182,939)**	(287,305)
Interest received		**1,466**	4,447
Hong Kong profits tax refunded		**–**	2,208
Net cash flows used in operating activities		**(181,473)**	(280,650)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	28	**(3,558)**	(8,271)
Proceeds from redemption of held-to-maturity investments		**–**	40,925
Repayments from a joint venture		**–**	13,878
Interest received		**2,112**	4,082
Dividend received from unlisted investment		**29,770**	15,841
Proceeds from disposal of items of property, plant and equipment		**24**	–
Purchases of items of property, plant and equipment		**(20,488)**	(11,405)
Decrease/(Increase) in pledged time deposits		**6,337**	(4,616)
Net cash flows from investing activities		**14,197**	50,434

Consolidated Statement of Cash Flows (Cont'd)

For the year ended 31st December, 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	26	–	439,761
Share issue expenses	26	–	(3,262)
Proceeds from issue of convertible bonds	24	–	500,000
Drawdown of new bank loans		–	4,000
Repayment of bank loans		**(4,000)**	(12,212)
Drawdown of other borrowings		–	200,000
Repayment of other borrowings		–	(200,000)
Repayment of other payables		–	(300,000)
Interest paid		**(156,651)**	(165,229)
Net cash flows from/(used in) financing activities		**(160,651)**	463,058
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(327,927)**	232,842
Cash and cash equivalents at beginning of year		**624,142**	399,574
Effect of foreign exchange rate changes, net		**(30,177)**	(8,274)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**266,038**	624,142
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**253,248**	567,186
Non-pledged time deposits with original maturity of less than three months when acquired		**12,790**	56,956
		266,038	624,142

At the end of the reporting period, the cash and cash equivalent balances of the Group amounting to HK$204,865,000 (2014 - HK$469,284,000) were held by certain subsidiaries operating in Mainland China where exchange controls apply.

1. CORPORATE AND GROUP INFORMATION

Cosmopolitan International Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The head office and principal place of business of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development and investment, investment in financial assets and other investments.

In the opinion of the Directors, the parent and the ultimate holding company of the Group is Century City International Holdings Limited ("CCIHL"), which was incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company 2015	2014	Principal activities
Apex Team Limited	Hong Kong	HK$1	100	100	Financing
Cosmopolitan International Finance Limited*	Hong Kong	HK$1	100	100	Financing and financial assets investment
Cosmopolitan International Management Services Limited*	Hong Kong	HK$1	100	100	Management services
Evercharm Investments Limited	British Virgin Islands	US$1	100	100	Financial assets investment
新疆麗寶生態開發有限公司**	The People's Republic of China ("PRC")/ Mainland China	US$16,800,000	100	100	Property development
成都富博房地產開發有限公司**	PRC/ Mainland China	HK$175,000,000	100	100	Property development
天津市富都房地產開發有限公司**	PRC/ Mainland China	RMB1,200,000,000	100	100	Property development
置富投資開發(成都)有限公司**	PRC/ Mainland China	HK$336,000,960	100	100	Property development
北京富利企業管理有限公司**	PRC/ Mainland China	RMB298,000,000	100	100	Investment holding
富宏(深圳)諮詢管理有限公司**	PRC/ Mainland China	RMB10,000,000	100	100	Development consultancy

* Direct subsidiaries of the Company

** These subsidiaries are registered as wholly foreign owned enterprises under the PRC laws.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31st December, 2015, the Group had net current liabilities of HK$183,592,000 (2014 - net current assets of HK$3,031,649,000). The net current liabilities position was attributable to the outstanding balance of the consideration payables aggregating HK$2,881,901,000 (the "Consideration Payables") due to Regal International (BVI) Holdings Limited ("Regal BVI"), a fellow subsidiary of the Group, P&R Holdings Limited ("P&R Holdings"), an intermediate holding company of the Group, and Faith Crown Holdings Limited, a joint venture of the Group, (collectively, the "Vendors") in relation to the Group's acquisitions of certain property development projects in 2013. The Consideration Payables are classified as other payables under current liabilities and are repayable on or before 13th September, 2016 as disclosed in note 21 to the financial statements. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Directors of the Company are formulating proposals for discussions with the Vendors, with a view to rescheduling the repayment date for the Consideration Payables to align with the latest development and sale schedules for the two development projects, which will be subject to the requisite approvals by the shareholders of the relevant companies.

Based on the contemplated proposals as set out in the preceding paragraph, the Directors of the Company have given careful consideration to the future liquidity of the Group and are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare these financial statements on a going concern basis. These financial statements do not include any adjustments that might be necessary should the Group not be able to continue as a going concern.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

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

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

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

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

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

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

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

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

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

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not acquire any investment property during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap.622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1st January, 2016
2 Effective for annual periods beginning on or after 1st January, 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1st January, 2016 and therefore is not applicable to the Group
4 No mandatory effective date is determined but is available for early adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1st January, 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1st January, 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1st January, 2018. The Group expects to adopt HKFRS 15 on 1st January, 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1st January, 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1st January, 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

Business combinations 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 to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

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.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any 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 this consideration and other items 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 31st 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, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. 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 operation disposed of and the portion of the cash-generating unit retained.

(b) Investment in a joint venture

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

The Group's investment in a joint venture is 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of a joint venture are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investment in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

If an investment in a joint venture becomes an investment in an associate or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(c) Fair value measurement

The Group measures its derivative financial instruments and investments held for trading 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.

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.

(d) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development and financial assets), the asset's recoverable amount is estimated. 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 the statement of 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 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) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

(e) Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, direct costs of construction, applicable borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to properties held for sale.

(f) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost 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 the statement of 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.

Depreciation is calculated on the straight-line basis to write off the cost 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:

Buildings	$33^1/_3$%
Leasehold improvements	Over the remaining lease terms
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost 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 the statement of 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 represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress in reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(g) Investments and other financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss or loans and receivables, 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.

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.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of 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.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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 and the loss arising from impairment are recognised in the statement of profit or loss.

(h) 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.

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.

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 the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 the statement of profit or loss.

(i) 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 (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(j) Financial liabilities

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, as appropriate.

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

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities 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.

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 the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate 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 the statement of profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(k) 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.

(l) 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.

(m) Derivative financial instruments

Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as foreign currency option contracts, for trading purposes. Such 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 the statement of profit or loss.

Current versus non-current classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

(n) Revenue recognition

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:

(i) rental income, on a time proportion basis over the lease terms;

(ii) 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;

(iii) dividend income, when the shareholders' right to receive payment has been established; and

(iv) net gain or loss from the sale of investments at fair value through profit or loss, on the transaction dates when the relevant contract notes are exchanged. The net gain or loss represents the differences between the sale proceeds and the investment's carrying amount. Any previously recognised fair value changes are presented separately on the statement of profit or loss.

(o) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional 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 the statement of 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.

The functional currencies of certain overseas subsidiaries and joint venture 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 Hong Kong dollars at 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 equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, 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.

(p) Income tax

Income tax comprises current and deferred tax. 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 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 countries/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 investments in subsidiaries and a joint venture, 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.

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

- when the deferred tax asset relating to the deductible temporary differences arises 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 investments in subsidiaries and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future 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.

(q) Operating leases

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 the statement of 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 the statement of profit or loss on the straight-line basis over the lease terms.

(r) Employee benefits

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the statement of 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, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully, in accordance with the rules of the MPF Scheme.

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

(s) Related parties

A party is considered to be related to the Group if:

(i) the party is a person or a close member of that person's family and that person

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

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or of a parent of the Group;

or

(ii) the party is an entity where any of the following conditions applies:

(1) the entity and the Group are members of the same group;

(2) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(3) the entity and the Group are joint ventures of the same third party;

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) the entity is controlled or jointly controlled by a person identified in (i);

(7) a person identified in (i)(1) 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

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

(t) Cash and cash equivalents

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.

(u) Provisions

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 expenditures 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 the statement of profit or loss.

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction 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. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's 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.

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income taxes

The Group has exposure to income taxes in different jurisdictions. Significant judgement is involved in determining the provision for income taxes. Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation, interpretations and practices in respect thereof.

(b) Estimation uncertainty

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 described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31st December, 2015 was HK$235,090,000 (2014 - HK$234,522,000). Further details are given in note 16 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators 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.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group maintains an allowance for estimated impairment of receivables arising from the inability of its customers and debtors to make the required payments. The Group makes its estimates based on, inter alia, the ageing of its receivable balances, customers' and debtors' creditworthiness, past repayment history and historical write-off experience. If the financial condition of its customers and debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

4. OPERATING SEGMENT INFORMATION

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

(a) the property development and investment segment comprises the development and sale of properties and the leasing of properties; and

(b) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments.

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 loss before tax except that certain interest income, finance costs, head office and corporate gains and expenses are excluded from such measurement.

Segment assets exclude time deposits, cash and bank balances, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest bearing bank borrowings, derivative financial instruments in relation to convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2015 and 2014:

	Property development and investment		Financial assets investments		Consolidated	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Segment revenue:						
Sales to external customers	–	–	9,152	(7,867)	9,152	(7,867)
Segment results before depreciation	(102,603)	(36,807)	(6)	(8,116)	(102,609)	(44,923)
Depreciation	(4,069)	(1,213)	–	–	(4,069)	(1,213)
Segment results	(106,672)	(38,020)	(6)	(8,116)	(106,678)	(46,136)
Unallocated interest income and unallocated non-operating and corporate gains					2,094	26,006
Unallocated non-operating and corporate expenses					(175,390)	(32,447)
Operating loss					**(279,974)**	**(52,577)**
Finance costs	(75,460)	(84,871)	–	–	**(75,460)**	**(84,871)**
Unallocated finance costs					**(33,524)**	**(19,501)**
Share of profit of a joint venture	29,770	29,767	–	–	**29,770**	**29,767**
Loss before tax					**(359,188)**	**(127,182)**
Income tax					**14,250**	**(179)**
Loss for the year before allocation between equity holders of the parent and non-controlling interests					**(344,938)**	**(127,361)**
Attributable to:						
Equity holders of the parent					**(344,938)**	**(127,361)**
Non-controlling interests					**–**	**–**
					(344,938)	**(127,361)**

	Property development and investment		Financial assets investments		Consolidated	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Segment assets	4,322,280	4,007,491	211,867	184,363	4,534,147	4,191,854
Investment in a joint venture	575,639	575,639	–	–	575,639	575,639
Cash and unallocated assets					400,242	633,173
Total assets					5,510,028	5,400,666
Segment liabilities	(3,466,706)	(3,037,021)	(4,272)	(3,462)	(3,470,978)	(3,040,483)
Interest bearing bank borrowing and unallocated liabilities					(998,642)	(849,399)
Total liabilities					(4,469,620)	(3,889,882)
Other segment information:						
Capital expenditure	490,664	240,496	–	–		
Fair value losses on other financial assets at fair value through profit or loss, net	–	–	8,996	666		
Interest income	–	–	(1,226)	(4,667)		
Impairment loss on property under development	57,000	–	–	–		

Geographical information

(a) Since the Group's revenue is derived from its financial assets at fair value through profit or loss in Hong Kong, no geographical information in respect of revenue from external customers is presented in accordance with HKFRS 8 *Operating Segments*.

(b) Non-current assets

	2015 HK$'000	2014 HK$'000
Hong Kong	**1,841**	1,767
Mainland China	**2,214,997**	2,198,974
	2,216,838	2,200,741

The non-current assets information above is based on the locations of the assets.

Information about major customer

No further information about major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer.

5. REVENUE AND OTHER INCOME

Revenue and other income are analysed as follows:

	2015 HK$'000	2014 HK$'000
Revenue		
Net gain/(loss) from sale/settlement of financial assets at fair value through profit or loss	**2,855**	(14,564)
Dividend income from listed investments	**5,071**	2,625
Interest income from corporate bonds	**1,226**	4,072
	9,152	(7,867)
Other income		
Interest income from:		
Bank balances and time deposits	**2,091**	2,494
Held-to-maturity investments	**–**	595
Others	**751**	174
	2,842	3,263

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	2015 HK$'000	2014 HK$'000
Depreciation	**4,575**	1,677
Less: Depreciation capitalised in properties under development	**(101)**	(157)
	4,474	1,520
Employee benefit expense (exclusive of Directors' remuneration as disclosed in note 8):		
Salaries, wages and allowances	**29,473**	26,884
Staff retirement scheme contributions	**3,861**	3,898
Less: Forfeited contributions	**(106)**	–
	33,228	30,782
Less: Staff costs capitalised in respect of property development projects:		
Salaries, wages and allowances	**(11,962)**	(10,634)
Staff retirement scheme contributions	**(1,721)**	(1,859)
	19,545	18,289
Auditors' remuneration	**1,406**	1,010
Loss on disposal of items of property, plant and equipment	**10**	1
Minimum lease payments under operating leases in respect of land and buildings	**2,624**	3,253
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		
– held for trading	**6,172**	(745)
– derivative instruments - transactions not qualifying as hedges	**149,239**	(21,927)
	155,411	(22,672)
Foreign exchange differences, net	**4,651**	2,606
Impairment loss on property under development	**57,000**	–

7. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on convertible bonds	**33,468**	12,255
Interest on bank loans	**56**	323
Interest on other borrowings	**–**	6,923
Interest on other payables	**144,095**	153,506
	177,619	173,007
Less: Finance costs capitalised	**(68,635)**	(68,635)
	108,984	104,372

8. DIRECTORS' REMUNERATION

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

	2015 HK$'000	2014 HK$'000
Fees	**1,893**	1,980
Other emoluments:		
Salaries, allowances and benefits in kind	**5,623**	6,127
Performance related/discretionary bonuses	**708**	1,308
Staff retirement scheme contributions	**289**	282
	8,513	9,697

(a) Non-executive director and independent non-executive directors

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

	2015 HK$'000	2014 HK$'000
Non-executive director:		
Mr. Francis Bong Shu Ying	**100**	100
Independent non-executive directors:		
Ms. Judy Chen Qing, JP#	**113**	150
Ms. Alice Kan Lai Kuen	**210**	210
Mr. Lee Choy Sang	**210**	210
Mr. David Li Ka Fai	**260**	260
Hon Abraham Shek Lai Him, GBS, JP	**180**	180
	1,073	1,110

Ms. Judy Chen Qing, JP resigned as an independent non-executive director and a member of the Audit Committee of the Company with effect from 2nd October, 2015.

– For the year ended 31st December, 2015, the Directors' fees entitled by the non-executive director and the independent non-executive directors of the Company also included a fee for serving as members of the Audit Committee (HK$0.1 million per annum and HK$0.05 million per annum as its chairman and a member, respectively), the Nomination Committee (HK$0.03 million per annum) and the Remuneration Committee (HK$0.03 million per annum) of the Company, where applicable, amounted to HK$1,073,000 (2014 - HK$1,110,000, which also included fees for serving as members of the Board Committees).

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

(b) Executive directors

	Fees HK$'000 (Note)	Salaries, allowances and benefits in kind HK$'000	Performance related/ discretionary bonuses HK$'000	Staff retirement scheme contributions HK$'000	Total remuneration HK$'000
2015					
Mr. Lo Yuk Sui	160	868	150	86	1,264
Mr. Jimmy Lo Chun To	100	982	76	45	1,203
Miss Lo Po Man	100	340	57	34	531
Mr. Kenneth Wong Po Man	100	398	84	40	622
Mr. Kelvin Leung So Po	100	348	73	35	556
Mr. Daniel Bong Shu Yin	160	2,295	200	17	2,672
Mr. Kenneth Ng Kwai Kai	100	392	68	32	592
	820	5,623	708	289	7,440
2014					
Mr. Lo Yuk Sui	160	826	172	82	1,240
Mr. Jimmy Lo Chun To	100	828	90	43	1,061
Miss Lo Po Man	100	324	68	32	524
Mr. Kenneth Wong Po Man	100	370	88	37	595
Mr. Kelvin Leung So Po	100	324	81	33	538
Mr. Daniel Bong Shu Yin	160	2,295	583^	17	3,055
Mr. Cheng Sui Sang##	50	780	147^	7	984
Mr. Kenneth Ng Kwai Kai	100	380	79	31	590
	870	6,127	1,308	282	8,587

\## Mr. Cheng Sui Sang retired as an executive director at the 2014 Annual General Meeting of the Company held on 3rd June, 2014.

^ The sums included the amounts of HK$383,000 and HK$147,000 paid to Mr. Daniel Bong Shu Yin and Mr. Cheng Sui Sang, respectively, in 2014 in respect of their bonuses for the nine months ended 31st December, 2013.

Note:

– For the year ended 31st December, 2015, the Directors' fees entitled by Mr. Lo Yuk Sui and Mr. Daniel Bong Shu Yin also included a fee of HK$30,000 (2014 - HK$30,000) per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company.

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

9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals during the year included three (2014 - four) Directors, details of whose remuneration are disclosed in note 8 to the financial statements. Details of the remuneration for the year of the remaining two (2014 - one) highest paid individuals, who were neither Directors nor chief executive of the Company, are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	**1,770**	940
Performance related/discretionary bonuses	**204**	79
Staff retirement scheme contributions	**102**	70
	2,076	1,089

The emoluments of the remaining two (2014 - one) individuals fell within the following bands:

	2015 Number of individuals	2014 Number of individuals
HK$500,001 to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	1
	2	1

10. INCOME TAX

	2015 HK$'000	2014 HK$'000
Current – Overseas		
Charge for the year	**–**	179
Deferred (note 25)	**(14,250)**	–
Total tax charge/(credit) for the year	**(14,250)**	179

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2014 - Nil).

Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate.

A reconciliation of the tax expense/(credit) applicable to loss before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax charge/(credit) at the effective tax rate is as follows:

	2015 HK$'000	2014 HK$'000
Loss before tax	**(359,188)**	(127,182)
Tax at the Hong Kong statutory tax rate of 16.5% (2014 - 16.5%)	**(59,266)**	(20,985)
Profit attributable to a joint venture	**(4,912)**	(4,912)
Higher tax rate of other jurisdiction	**(8,631)**	(2,847)
Income not subject to tax	**(2,166)**	(5,034)
Expenses not deductible for tax	**55,448**	28,497
Tax losses not recognised during the year	**5,228**	5,460
Others	**49**	–
Tax charge/(credit) at the Group's effective rate	**(14,250)**	179

No provision for tax was required for the joint venture as no assessable profits were earned by the joint venture during the year ended 31st December, 2015 (2014 - Nil).

11. DIVIDEND

No dividend was paid or proposed during the year ended 31st December, 2015, nor has any dividend been proposed since the end of the reporting period (2014 - Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the parent of HK$344,938,000 (2014 - HK$127,361,000) and on the weighted average of 6,596,414,000 shares of the Company in issue during the year ended 31st December, 2015 (including ordinary shares and convertible preference shares) (2014 - 4,625,666,000 shares, as adjusted to reflect the effect of the consolidation of ordinary shares of the Company on the basis that every ten existing issued and unissued ordinary shares of HK$0.0002 each were consolidated into one ordinary share of HK$0.002 each effective on 15th July, 2014 (the "Share Consolidation") and the open offer completed on 18th August, 2014 on the basis that holders of each consolidated share of the Company would be entitled to subscribe for two consolidated shares and/or convertible preference shares of the Company (the"Open Offer")).

(b) Diluted loss per share

No adjustment has been made to the loss per share amount presented for the years ended 31st December, 2015 and 2014 in respect of a dilution, as the impact of the convertible bonds outstanding during the year had an anti-dilutive effect on the loss per share amount presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31st December, 2015						
At 31st December, 2014 and at 1st January, 2015:						
Cost	–	4,538	2,601	1,744	9,287	18,170
Accumulated depreciation	–	(981)	(947)	(438)	–	(2,366)
Net carrying amount	–	3,557	1,654	1,306	9,287	15,804
At 1st January, 2015, net of accumulated depreciation	–	3,557	1,654	1,306	9,287	15,804
Additions	–	530	1,156	–	25,962	27,648
Transfer	31,993	–	–	–	(31,993)	–
Depreciation provided during the year	(2,666)	(1,026)	(529)	(354)	–	(4,575)
Write-off/disposals	–	–	(115)	(9)	–	(124)
Write-back of depreciation upon write-off/disposals	–	–	82	8	–	90
Exchange realignment	(1,185)	(79)	(112)	(56)	(258)	(1,690)
At 31st December, 2015, net of accumulated depreciation	28,142	2,982	2,136	895	2,998	37,153
At 31st December, 2015:						
Cost	30,700	4,926	3,470	1,641	2,998	43,735
Accumulated depreciation	(2,558)	(1,944)	(1,334)	(746)	–	(6,582)
Net carrying amount	28,142	2,982	2,136	895	2,998	37,153

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31st December, 2014					
At 1st January, 2014:					
Cost	523	1,772	1,785	247	4,327
Accumulated depreciation	(163)	(524)	(85)	–	(772)
Net carrying amount	360	1,248	1,700	247	3,555
At 1st January, 2014, net of accumulated depreciation	360	1,248	1,700	247	3,555
Acquisition of subsidiaries (note 28(b))	1,995	673	–	–	2,668
Additions	2,075	194	6	9,130	11,405
Depreciation provided during the year	(878)	(437)	(362)	–	(1,677)
Disposals	(1)	–	–	–	(1)
Exchange realignment	6	(24)	(38)	(90)	(146)
At 31st December, 2014, net of accumulated depreciation	3,557	1,654	1,306	9,287	15,804
At 31st December, 2014:					
Cost	4,538	2,601	1,744	9,287	18,170
Accumulated depreciation	(981)	(947)	(438)	–	(2,366)
Net carrying amount	3,557	1,654	1,306	9,287	15,804

14. PROPERTIES UNDER DEVELOPMENT

	2015 HK$'000	2014 HK$'000
Balance at 1st January	**3,684,761**	3,512,924
Additions	**457,583**	219,548
Impairment	**(57,000)**	–
Exchange realignment	**(123,064)**	(47,711)
Balance at 31st December	**3,962,280**	3,684,761
Portion included in current assets	**(2,664,931)**	(2,379,674)
Non-current portion	**1,297,349**	1,305,087

Properties under development included under current assets are expected to be completed within normal operating cycle and recovered after one year.

During the year ended 31st December, 2015, an impairment loss of HK$57,000,000 (2014 - Nil) in respect of a hotel property under development located in Chengdu, the PRC, was charged to the consolidated statement of profit or loss to write down the hotel property under development to its net realisable value.

15. INVESTMENT IN A JOINT VENTURE

	2015 HK$'000	2014 HK$'000
Share of net assets	**575,639**	575,639

Particulars of the Group's joint venture are as follows:

Name	Place of incorporation/ business	Particulars of issued shares held	Percentage of equity interest attributable to the Group 2015	2014	Principal activity
Faith Crown Holdings Limited ("Faith Crown")	British Virgin Islands	Ordinary shares of US$1 each	**50**	50	Investment holding

The joint venture is indirectly held by the Company.

Faith Crown is considered a material joint venture of the Group and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Faith Crown adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2015 HK$'000	2014 HK$'000
Non-current assets	**1,174,132**	1,174,132
Current assets	**17,782**	17,782
Current liabilities	**(40,637)**	(40,637)
Net assets	**1,151,277**	1,151,277
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture and carrying amount of the investment	**575,639**	575,639

	2015 HK$'000	2014 HK$'000
Interest income	**59,543**	59,543
Profit and total comprehensive income for the year	**59,539**	59,535
Dividend received by the Group from Faith Crown	**29,770**	15,841

16. GOODWILL

	2015 HK$'000	2014 HK$'000
Cost and carrying amount at 1st January	**234,522**	228,310
Acquisition of subsidiaries (note 28)	**568**	6,212
Cost and carrying amount at 31st December	**235,090**	234,522

No impairment was made on the goodwill as at 31st December, 2015 and 2014.

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the property development cash-generating unit for impairment testing. The recoverable amount of the property development cash-generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been prepared to reflect the development plan of the property development projects, comprising residential, commercial and hotel buildings. The discount rate applied to the cash flow projections is 18.8% (2014 - 21.6%).

Assumptions were used in the value in use calculation of the property development cash-generating unit for the years ended 31st December, 2015 and 31st December, 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate - Discount rate used is before tax and represents the current market assessment of the risks specific to the property development cash-generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Construction materials price inflation - The basis used to determine the construction materials price inflation is the forecast price indices during the budget year for Mainland China from where the raw materials are sourced.

The values assigned to the key assumptions on market development of property development industry, discount rate and construction materials price inflation are consistent with external information sources.

17. DEBTORS, DEPOSITS AND PREPAYMENTS

	Note	2015 HK$'000	2014 HK$'000
Non-current asset			
Prepayments	(a)	**71,607**	69,689
Current assets			
Prepayments		**17,098**	1,628
Deposits		**1,141**	3,226
Other receivables		**18,083**	24,639
		36,322	29,493

None of the above assets is either past due or impaired. The financial assets included in the above balances related to deposits and other receivables for which there was no recent history of default.

Note:

(a) The amount related to the costs incurred in relation to a re-forestation project in Urumqi, Xinjiang Uygur Autonomous Region, the PRC. In accordance with the prevailing relevant policies and regulations, upon the agreed completion (and had been certified by the relevant government authorities) of re-forestation works in respect of that land, as well as the completion of the land listing and tender procedures in accordance with the relevant rules and regulations, the Group shall be either entitled to the land use right of 30% of the overall project area of such land for development purposes or reimbursed for the costs incurred in the re-forestation project.

In the prior years, the Group completed the milestones required by the relevant PRC government authorities and obtained affirmations to confirm the fulfillments of the conditions agreed with the relevant policies and regulations. Despite the delay in the progress of the re-forestation works, based on the latest legal opinion obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective and the Directors of the Company are of the opinion that costs incurred for the re-forestation works are fully recoverable in future in accordance with the applicable policies and regulations.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK$'000	2014 HK$'000
Listed equity investments, at market value	**170,371**	130,004
Listed debt investment, at market value	**24,198**	30,275
	194,569	160,279

The above equity investments and debt investments at 31st December, 2015 and 2014 were classified as held for trading.

As at 31st December, 2014, the Group's financial assets at fair value through profit or loss of approximately HK$7,444,000 were pledged to a bank to secure bank facilities provided to the Group (note 22).

19. RESTRICTED CASH

Pursuant to relevant regulations in the PRC, a property development company of the Group is required to retain a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction costs of the relevant properties. As at 31 December 2015, such guarantee deposits amounted to approximately HK$131,330,000 (2014 - Nil).

20. CREDITORS AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Creditors	**218,981**	72,978
Accruals	**14,507**	9,671
Due to an intermediate holding company	**4,753**	4,753
Due to fellow subsidiaries	**21,475**	53,185
Due to a joint venture	**17,781**	17,781
	277,497	158,368

Except for an aggregate amount of HK$978,000 (2014 - HK$32,688,000) included in the amounts due to fellow subsidiaries which is unsecured, interest free and has no fixed terms of repayment, the amounts due to an intermediate holding company, a fellow subsidiary and a joint venture in an aggregate amount of HK$43,031,000 (2014 - HK$43,031,000) represent accrued interest on the other payables and are secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and repayable within one year.

21. OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Current liabilities		
Other payables:		
Due to an intermediate holding company	**318,318**	–
Due to a fellow subsidiary	**1,372,711**	–
Due to a joint venture	**1,190,872**	–
	2,881,901	–
Non-current liabilities		
Other payables:		
Due to an intermediate holding company	**–**	318,318
Due to a fellow subsidiary	**–**	1,372,711
Due to a joint venture	**–**	1,190,872
	–	2,881,901

Other payables are secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and bear interest at 5% (2014 - 5%) per annum. The amounts are due on 13th September, 2016 and, accordingly, they are classified as current liabilities as at 31st December, 2015.

22. INTEREST BEARING BANK BORROWING

	2014		
	Contractual interest rate (%) per annum	Maturity	HK$'000
Current			
Bank loan - secured	1.82	2015	4,000
Analysed into:			
Bank loan repayable within one year or on demand			4,000

The Group's facilities amounting to HK$73,271,000, of which HK$4,000,000 had been utilised at 31st December, 2014, were secured by the pledge of certain of the Group's time deposits and financial assets at fair value through profit or loss amounting to HK$13,781,000 in aggregate.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	LIABILITIES	
	2015 HK$'000	**2014 HK$'000**
Current		
Foreign currency option contracts	**2,824**	1,411
Non-current		
Derivative financial instruments in relation to convertible bonds (note 24)	**177,361**	30,946

The Group has entered into foreign currency option contracts which are not designated for hedging purposes and are measured at fair value through profit or loss. A fair value loss on non-hedging foreign currency option contracts of HK$2,824,000 was charged to the consolidated statement of profit or loss during the year (2014 - HK$1,411,000).

24. CONVERTIBLE BONDS

Details of the convertible bonds during the year are set out as follows:

CB 2017

On 18th August, 2014, the Company's wholly owned subsidiary, Apex Team Limited, issued convertible bonds with the principal amount of HK$500,000,000 ("CB 2017") with a maturity date on 17th August, 2017.

CB 2017 bears coupon interest of 2.5% per annum and is unsecured.

The effective interest rate of the liability component is 7.58%.

Conversion rights are exercisable at any time from 25th August, 2014 to 10th August, 2017.

The holders of CB 2017 are entitled to convert CB 2017 into ordinary shares of the Company at an initial conversion price of HK$0.35 per share (subject to adjustment). Based on the initial conversion price, CB 2017 could be convertible into a maximum of approximately 1,428,571,000 ordinary shares of the Company.

If any of CB 2017 has not been converted, it will be redeemed on the maturity date at 100% of its outstanding principal amount.

Options were granted by the Group to subscribe for another convertible bonds in an additional principal amount of up to HK$500,000,000 ("Optional Bonds 2017") with an expiry date of 90 days prior to the maturity date of Optional Bonds 2017 on 17th August, 2017.

CB 2017 contains three components: equity component, liability component and embedded derivative financial liabilities in respect of the subscription option for Optional Bonds 2017.

For CB 2017, the fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The subscription options embedded in CB 2017 were recognised as a derivative financial liability and were measured at fair value on initial recognition and remeasured at the end of each subsequent reporting period.

The movements of the equity component, liability component and derivative financial instruments of the convertible bonds are as follows:

	Equity component HK$'000	Liability component HK$'000	Derivative financial instruments HK$'000	Total HK$'000
At 1st January, 2014	–	–	–	–
Issue of CB 2017	11,748	433,968	54,284	500,000
Fair value change	–	–	(23,338)	(23,338)
Interest expense	–	12,255	–	12,255
At 31st December, 2014 and at 1st January, 2015	11,748	446,223	30,946	488,917
Fair value change	–	–	146,415	146,415
Interest expense	–	33,468	–	33,468
Interest paid	–	(12,500)	–	(12,500)
At 31st December, 2015	11,748	467,191	177,361	656,300

25. DEFERRED TAX LIABILITIES

The movement in deferred tax liabilities during the year is as follows:

	Fair value adjustments arising from acquisition of subsidiaries HK$'000
Gross deferred tax liabilities at 1st January, 2014, 31st December, 2014 and 1st January, 2015	362,536
Deferred tax credited to the statement of profit or loss during the year (note 10)	(14,250)
Gross deferred tax liabilities at 31st December, 2015	348,286

The Group has unrecognised tax losses arising in Hong Kong amounting to HK$138,931,000 (2014 - HK$107,247,000) at the end of the reporting period. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets in respect of the above tax losses amounting to HK$22,924,000 (2014 - HK$17,696,000) have not been recognised on account of the unpredictability of future profit streams.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1st January, 2008 and applies to earnings after 31st 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 rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1st January, 2008.

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China as these subsidiaries reported accumulative losses at 31st December, 2015 and 2014.

26. SHARE CAPITAL AND SHARE PREMIUM

	Note	2015 HK$'000	2014 HK$'000
Shares			
Authorised:			
120,602,390,478 ordinary shares of HK$0.002 each		**241,205**	241,205
4,397,609,522 convertible preference shares of HK$0.002 each	(a)	**8,795**	8,795
		250,000	250,000
Issued and fully paid:			
4,250,455,846 ordinary shares of HK$0.002 each		**8,501**	8,501
2,345,958,437 convertible preference shares of HK$0.002 each	(a)	**4,692**	4,692
		13,193	13,193

	2015 HK$'000	2014 HK$'000
Share premium		
Ordinary shares	**1,172,623**	1,172,623
Convertible preference shares	**229,940**	229,940
	1,402,563	1,402,563

Note:

(a) Each convertible preference share ("CPS") is non-redeemable by the Company or its holder and is convertible into one ordinary share of the Company, subject to adjustment upon the occurrence of consolidation or subdivision of the ordinary shares, at any time after issuance, provided that holders of a CPS may not exercise the conversion rights to the extent that would result in the Company failing to comply with the minimum public float requirement under the Listing Rules.

Each CPS shall confer on its holder the right to receive any dividend pari passu with holders of ordinary shares on the basis of the number of ordinary shares into which each CPS may be converted and on an as-if converted basis.

The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, except on a resolution for the winding-up of the Company.

A summary of the movements of the Company's share capital and share premium account during the years ended 31st December, 2015 and 2014 is as follows:

		Authorised		Issued and fully paid		Share premium account
	Notes	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000	Amount HK$'000
Ordinary shares						
At 1st January, 2014		1,250,000,000	250,000	21,988,048	4,398	974,859
Share Consolidation	(i)	(1,125,000,000)	–	(19,789,243)	–	–
Capital reorganisation	(ii)	(4,397,610)	(8,795)	–	–	–
Issue of new shares	(iii)	–	–	2,051,283	4,102	201,026
Share issue expenses	(iii)	–	–	–	–	(3,262)
Conversion of convertible preference shares	(iv)	–	–	369	1	–
At 31st December, 2014, 1st January 2015 and 31st December, 2015		120,602,390	241,205	4,250,457	8,501	1,172,623
Non-voting non-redeemable convertible preference shares of HK$0.002 each						
At 1st January, 2014		–	–	–	–	–
Capital reorganisation	(ii)	4,397,610	8,795	–	–	–
Issue of new shares	(iii)	–	–	2,346,327	4,693	229,940
Conversion of convertible preference shares	(iv)	–	–	(369)	(1)	–
At 31st December, 2014, 1st January 2015 and 31st December, 2015		4,397,610	8,795	2,345,958	4,692	229,940
Total share capital						
At 31st December, 2014 and 31st December, 2015			**250,000**		**13,193**	**1,402,563**

Notes:

(i) As announced on 30th April, 2014, the Company proposed to, among others, (i) implement the Share Consolidation; (ii) make the Open Offer; and (iii) issue convertible bonds or optional convertible bonds. Details of the above proposed transactions are contained in the joint announcements of the Company dated 30th April, 2014 and 19th June, 2014, the circular of the Company dated 20th June, 2014 and/or the prospectus of the Company dated 24th July, 2014.

The above proposed transactions were approved by the shareholders or the independent shareholders of the Company at its extraordinary general meeting held on 14th July, 2014 and became effective on 15th July, 2014.

(ii) Pursuant to a special resolution, effective on 15th July, 2014, 4,397,609,522 unissued consolidated ordinary shares of par value of HK$0.002 each were redesignated as 4,397,609,522 non-voting non-redeemable convertible preference shares of par value of HK$0.002 each.

(iii) On 18th August, 2014, the Company allotted and issued 2,051,282,571 ordinary shares of HK$0.002 each and 2,346,326,951 convertible preference shares of HK$0.002 each, both at a subscription price of HK$0.1 per share. The Company raised HK$439,761,000 with expenses of HK$3,262,000 with the intention at the time of the Open Offer to finance the property investments and serve as general working capital of the Group.

(iv) During the period from 18th August, 2014 to 31st December, 2014, 368,514 convertible preference shares were converted into the same number of ordinary shares.

27. RESERVES

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 of the financial statements on pages 41 and 42.

28. ACQUISITION OF SUBSIDIARIES

(a) Business combination - Acquisition of Fudu Property Management

In June 2015, the Group completed the acquisition from Regal (Chongqing) Equity Investment Fund, L.P. (富豪(重慶)股權投資基金合夥企業(有限合夥)), a fellow subsidiary of the Group, of the entire equity interest in 成都富都物業管理有限公司 (for identification purposes, Chengdu Fudu Property Management Company Limited ("Fudu Property Management")), which is principally engaged in provision of property management services in the PRC.

The fair values of the identifiable assets and liabilities of Fudu Property Management as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Cash and bank balances	211
Amount due from the Group	2,996
Accruals	(6)
Total identifiable net assets at fair value	3,201
Goodwill on acquisition (note 16)	568
Cash consideration	3,769

The goodwill of HK$568,000 recognised was primarily attributed to the expected synergies from combining the assets and activities of Fudu Property Management with those of the Group. The goodwill was not deductible for income tax purpose.

An analysis of the cash flows in respect of the acquisition of Fudu Property Management is as follows:

	HK$'000
Cash consideration	(3,769)
Cash and bank balances acquired	211
Outflow of cash and cash equivalents included in cash flows from investing activities	(3,558)

The acquisition of Fudu Property Management did not contribute any revenue to the Group as it did not generate any revenue since incorporation. Loss of HK$72,000 of Fudu Property Management was included in the consolidated statement of profit or loss of the Group for the year ended 31st December, 2015.

Had the combination taken place at the beginning of the year, the consolidated loss of the Group for the year would have been HK$344,998,000.

(b) Business combination - Acquisition of the Best Accolade Group

On 16th June, 2014, the Group entered into a sale and purchase agreement with Paliburg Development BVI Holdings Limited, a fellow subsidiary of the Group, in relation to the acquisition of the entire equity interests in Best Accolade Limited and its subsidiaries (the "Best Accolade Group") and the assignment of the loan due to a former shareholder to the Group. The Best Accolade Group is principally engaged in the provision of property development consultancy services in the PRC.

The aggregate fair values of the identifiable assets and liabilities of the Best Accolade Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment (note 13)	2,668
Cash and bank balances	1,722
Debtors, deposits and prepayments	391
Creditors and accruals	(1,000)
Amount due to a former shareholder	(11,994)
Net liabilities	(8,213)
Add: amount due to the former shareholder assigned to the Group	11,994
Total identifiable net assets at fair value	3,781
Goodwill on acquisition (note 16)	6,212
Cash consideration	9,993

The goodwill of HK$6,212,000 recognised was primarily attributed to the expected synergies from combining the assets and activities of Best Accolade Group with those of the Group. The goodwill was not deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of the Best Accolade Group was as follows:

	HK$'000
Cash consideration	(9,993)
Cash and bank balances acquired	1,722
Outflow of cash and cash equivalents included in cash flows from investing activities	(8,271)

The acquisition of the Best Accolade Group did not contribute any revenue to the Group as it did not generate any revenue since incorporation. Aggregate losses of HK$7,540,000 of the Best Accolade Group were included in the consolidated statement of profit or loss of the Group for the year ended 31st December, 2014.

Had the combination taken place at the beginning of the year ended 31st December, 2014, the consolidated loss of the Group for that year would have been HK$132,340,000.

29. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

	Notes	2015 HK$'000	2014 HK$'000
A wholly owned subsidiary of CCIHL:			
Management fees	(i)	**8,537**	7,960
Subsidiaries of Paliburg Holdings Limited ("PHL"):			
Rental income	(ii)	**–**	166
Interest income from listed debt investments	(iii)	**988**	988
Interest expenses on other payables	(iv)	**144,095**	153,506
Interest expenses on other borrowings	(v)	**–**	6,923

Notes:

(i) The management fees included rentals and other overheads allocated from a wholly owned subsidiary of CCIHL either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, PHL, Regal Hotels International Holdings Limited and the Company based on the distribution of job responsibilities and the estimated time spent by the relevant staff in serving each of the four groups.

(ii) The rental income was received from Regal Hotels International Limited in connection with the use of the Group's office premises. The fee was mutually agreed between the Group and the fellow subsidiary.

(iii) The interest income was charged at a coupon rate of 4.25% per annum.

(iv) The interest expenses were paid to P&R Holdings, Faith Crown and Regal BVI for consideration payables in relation to the acquisition of certain property development projects in 2013, which bear interest at 5% per annum.

(v) The interest expenses were paid to Paliburg Finance Limited for other borrowings under the HK$200 million facility granted to the Group charged at interest rate at the higher of 7% per annum or the Hong Kong Dollar Prime Lending Rate plus 2% per annum.

(b) Compensation of key management personnel of the Group:

	2015 HK$'000	2014 HK$'000
Short term employee benefits	**7,445**	8,583
Staff retirement scheme contributions	**314**	306
Total compensation paid to key management personnel	**7,759**	8,889

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transaction set out in note 29(a)(i) above also constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company, but is exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval in accordance with the Listing Rules ("Relevant Requirements") pursuant to rule 14A.98 of the Listing Rules.

The related party transaction set out in note 29(a)(iii) above did not constitute a connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company.

The related party transactions set out in note 29(a)(iv) above were contemplated under respective relevant transactions (the "Transactions") which constituted connected transactions to the Company subject to the Relevant Requirements. The Relevant Requirements with respect to the Transactions had been complied with.

Relevant disclosures and other requirements, including, inter alia, independent shareholders' approval (where required) in accordance with the Listing Rules with respect to the connected or continuing connected transactions during the prior year set out in note 29(a) had been made or met or otherwise exempted.

30. PLEDGE OF ASSETS

The Group's bank borrowing was secured by the following assets:

	2015 HK$'000	2014 HK$'000
Pledged time deposits	**–**	6,337
Financial assets at fair value through profit or loss	**–**	7,444
	–	13,781

31. OPERATING LEASE ARRANGEMENTS

The Group leases certain office premises under operating lease arrangements. The leases are negotiated for terms ranging from 1 to 2 years.

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

	2015 HK$'000	2014 HK$'000
Within one year	**1,439**	1,732
In the second to fifth years, inclusive	**1,423**	2,338
	2,862	4,070

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following commitments at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for:		
Property development projects	**1,640,070**	1,659,119

33. CONTINGENT LIABILITIES

A subsidiary of the Group is currently a defendant in two outstanding litigation claims relating to the re-forestation project located in Xinjiang in the PRC. Based on the advice from the Group's legal counsel, the litigation claims are pending verification and/or the Group has good grounds of defence against the allegations. Accordingly, the Directors consider that it is appropriate to disclose such claims in an aggregate amount of approximately RMB1,771,000 (HK$2,091,000) as contingent liabilities and no provision has been made in the financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2015

Financial assets

	Financial assets at fair value through profit or loss - held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Other financial assets included in debtors, deposits and prepayments	–	18,896	18,896
Financial assets at fair value through profit or loss (note 18)	194,569	–	194,569
Restricted cash	–	131,330	131,330
Time deposits	–	12,790	12,790
Cash and bank balances	–	253,248	253,248
	194,569	416,264	610,833

Financial liabilities

	Financial liabilities at fair value through profit or loss - held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Other financial liabilities included in creditors and accruals	–	271,527	271,527
Deposits received	–	2,373	2,373
Other payables (note 21)	–	2,881,901	2,881,901
Derivative financial instruments (note 23)	180,185	–	180,185
Convertible bonds (note 24)	–	467,191	467,191
	180,185	3,622,992	3,803,177

2014

Financial assets

	Financial assets at fair value through profit or loss - held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Other financial assets included in debtors, deposits and prepayments	–	26,391	26,391
Financial assets at fair value through profit or loss (note 18)	160,279	–	160,279
Pledged time deposits	–	6,337	6,337
Time deposits	–	56,956	56,956
Cash and bank balances	–	567,186	567,186
	160,279	656,870	817,149

Financial liabilities

	Financial liabilities at fair value through profit or loss - held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Other financial liabilities included in creditors and accruals	–	153,253	153,253
Deposits received	–	3,481	3,481
Other payables (note 21)	–	2,881,901	2,881,901
Derivative financial instruments (note 23)	32,357	–	32,357
Convertible bonds (note 24)	–	446,223	446,223
Interest bearing bank borrowing (note 22)	–	4,000	4,000
	32,357	3,488,858	3,521,215

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at 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 the non-current financial liabilities included in other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the other payables was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices.

The fair values of listed debt investments are determined based on market values provided by financial institutions.

The Group enters into foreign currency option contracts with a financial institution. The foreign currency option contracts are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of the financial institution, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of foreign currency option contracts are the same as their fair values.

The fair value of the embedded derivative in convertible bonds is determined by valuation techniques and based on assumptions on market conditions existing at the end of the reporting period. The valuation model requires the input of subjective assumptions, including the stock price, expected volatility and risk free rate.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value as at 31st December, 2015:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss:				
Listed equity investments	**170,371**	**–**	**–**	**170,371**
Listed debt investments	**–**	**24,198**	**–**	**24,198**
	170,371	**24,198**	**–**	**194,569**

Assets measured at fair value as at 31st December, 2014:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss:				
Listed equity investments	130,004	–	–	130,004
Listed debt investments	–	30,275	–	30,275
	130,004	30,275	–	160,279

Liabilities measured at fair value as at 31st December, 2015:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Derivative financial instruments	**–**	**180,185**	**–**	**180,185**

Liabilities measured at fair value as at 31st December, 2014:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Derivative financial instruments	–	32,357	–	32,357

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).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivative financial instruments, comprise interest bearing bank borrowing, other payables, convertible bonds, cash and bank balances and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as financial assets at fair value through profit or loss, restricted cash, deposits received, other financial assets included in debtors, deposits and prepayments, and other financial liabilities included in creditors and accruals, which arise directly from its operations.

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 Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts prudent strategies on its risk management. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing bank borrowing with a floating interest rate.

For the Hong Kong dollar borrowing, assuming the amount of bank borrowing outstanding at 31st December, 2014 was outstanding for the whole year, a 100 basis point increase in interest rates would have increased the Group's loss before tax for the year ended 31st December, 2014 by HK$40,000.

Foreign currency risk

The Group's operations are mainly in Hong Kong and Mainland China. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in currencies that are not the entities' functional currencies.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and entering into foreign currency option contracts to reduce the exposure should the need arises.

Credit risk

The Group's major exposure to the credit risk arises from its debt investments, with a maximum exposure equal to their carrying amounts in the consolidated statement of financial position. The Group only invests in debt investments after performing credit risk assessments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group will raise funds from different sources, including through the financial market or realisation of its assets, if required.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2015		
	Within 1 year or on demand HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Other financial liabilities included in creditors and accruals and other payables	**3,223,518**	**–**	**3,223,518**
Deposits received	**2,373**	**–**	**2,373**
Derivative financial instruments	**2,824**	**177,361**	**180,185**
Convertible bonds	**12,487**	**507,855**	**520,342**
	3,241,202	**685,216**	**3,926,418**

	2014		
	Within 1 year or on demand HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Other financial liabilities included in creditors and accruals and other payables	254,316	2,982,965	3,237,281
Deposits received	3,481	–	3,481
Derivative financial instruments	1,411	30,946	32,357
Convertible bonds	12,500	521,404	533,904
Interest bearing bank borrowing	4,006	–	4,006
	275,714	3,535,315	3,811,029

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investments classified as financial assets at fair value through profit or loss (note 18) as at the end of the reporting period.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments HK$'000	Change in loss before tax HK$'000
2015		
Hong Kong listed investments	**170,371**	**8,519**
2014		
Hong Kong listed investments	130,004	6,500

There is no impact on the Group's equity except on the retained profits.

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 enhance shareholders' value.

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. Capital represents equity attributable to equity holders of the parent. 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 years ended 31st December, 2015 and 31st December, 2014.

The Group monitors capital using a debt to total assets ratio, which is net debt divided by the total assets. Net debt includes interest bearing bank borrowing and convertible bonds less cash, bank balances and deposits. The debt to total assets ratios as at the end of the reporting periods were as follows:

	2015 **HK$'000**	**2014** **HK$'000**
Interest bearing bank borrowing and convertible bonds	**467,191**	450,223
Less: Cash, bank balances and deposits	**(397,368)**	(630,479)
Net debt/(cash)	**69,823**	(180,256)
Total assets	**5,510,028**	5,400,666
Debt to total assets ratio	**1.3%**	N/A

37. EVENT AFTER REPORTING PERIOD

As announced on 13th January, 2016, the Group entered into a framework agreement with an independent third party to form a joint venture to invest in a licensed logistics services provider in the PRC. If the proposed joint venture is successfully implemented, the Group and the independent third party will come to own, respectively, 60% and 40% equity interests, in the logistics group. The amounts payable to the independent third party under the various transactions on the formation of the joint venture aggregate to HK$57.05 million and will be satisified through the issuance of convertible bonds by the Group, convertible into new ordinary shares of the Company at an initial conversion price of HK$0.35 per share.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,540,974**	1,545,706
CURRENT ASSETS		
Prepayment	**486**	449
Bank balances	**276**	271
Total current assets	**762**	720
CURRENT LIABILITIES		
Accruals	**(1,487)**	(1,993)
NET CURRENT LIABILITIES	**(725)**	(1,273)
Net assets	**1,540,249**	1,544,433
EQUITY		
Issued capital	**13,193**	13,193
Reserves (note)	**1,527,056**	1,531,240
Total equity	**1,540,249**	1,544,433

Note:

A summary of the Company's reserve is as follows:

	Note	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2014		974,859	209	26,801	105,479	1,107,348
Issue of shares	26(iii)	430,966	–	–	–	430,966
Share issue expense	26(iii)	(3,262)	–	–	–	(3,262)
Loss for the year		–	–	–	(3,812)	(3,812)
At 31st December, 2014 and at 1st January, 2015		1,402,563	209	26,801	101,667	1,531,240
Loss for the year		–	–	–	(4,184)	(4,184)
At 31st December, 2015		1,402,563	209	26,801	97,483	1,527,056

The contributed surplus represents reserves arising from the Group's reorganisation in 1991, originally representing the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the then subsidiaries' shares acquired at the date of acquisition, net of subsequent distributions therefor.

Under the Companies Law of the Cayman Islands, the contributed surplus is distributable under certain specific circumstances.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22nd March, 2016.

EY 安永

To the shareholders of Cosmopolitan International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Cosmopolitan International Holdings Limited (the "Company") and its subsidiaries set out on pages 36 to 106, which comprise the consolidated statement of financial position as at 31st December, 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

Opinion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2.1 to the financial statements which indicates that as at 31st December, 2015, the Group had net current liabilities of HK$183,592,000. Such condition, along with other matters as set forth in note 2.1 to the financial statements, indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

22nd March, 2016

Schedule of Principal Properties

As at 31st December, 2015

PROPERTIES FOR DEVELOPMENT

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(1)	Development site at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC	Hotel and commercial complex/ residential	Site area for the whole development - approx. 111,869 sq. m. (1,204,148 sq. ft.) Total gross floor area - approx. 497,000 sq. m. (5,349,700 sq. ft.) First stage • a 306-room hotel • 3 residential towers having 340 residential units with car parking spaces and ancillary commercial accommodation (Total gross floor area - approx. 45,500 sq. m. (490,000 sq. ft.)) Stage two • 6 residential towers having 960 units with total gross floor area of approx. 176,516 sq. m. (1,900,000 sq. ft.) Stage three • commercial and office accommodations with total gross floor area of approx. 139,355 sq. m. (1,500,000 sq. ft.)	First stage • Construction works for 3 residential towers expected to be completed before the end of 2016 • Presale of the residential units anticipated to be launched in 2nd quarter of 2016 • Hotel portion planned to be completed in phases from early 2017 Stage two • Construction works expected to be completed in 2nd quarter of 2017 • Presale of the residential units expected to be launched before the end of 2016	100

As at 31st December, 2015

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(2)	Development site at the intersection between Weiguo Road and Xinkai Road, Hedong District, Tianjin, PRC	Commercial/ office/ residential	Site area for the whole development - approx. 31,700 sq. m. (341,216 sq. ft.) Total gross floor area - approx. 145,000 sq. m. (1,560,780 sq. ft.)	Sub-structure works completed; superstructure works of residential towers in progress (expected to be completed in stages from 2017)	100

Published Five Year Financial Summary

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 as appropriate, is set out below.

RESULTS

	Year ended 31st December, 2015 HK$'000	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000	Year ended 31st March, 2013 HK$'000	Year ended 31st March, 2012 HK$'000
Revenue	**9,152**	(7,867)	12,487	24,091	9,908
Operating profit/(loss) before depreciation	**(275,500)**	(51,057)	(18,977)	104,943	361,994
Depreciation	**(4,474)**	(1,520)	(407)	(128)	(87)
Finance costs	**(108,984)**	(104,372)	(86,616)	(75,684)	(72,732)
Share of profit of a joint venture	**29,770**	29,767	17,338	23,640	527,678
Profit/(loss) before tax	**(359,188)**	(127,182)	(88,662)	52,771	816,853
Income tax	**14,250**	(179)	451	–	21,048
Profit/(loss) for the year/period before allocation between equity holders of the parent and non-controlling interests	**(344,938)**	(127,361)	(88,211)	52,771	837,901
Attributable to:					
Equity holders of the parent	**(344,938)**	(127,361)	(88,211)	52,813	837,952
Non-controlling interests	**–**	–	–	(42)	(51)
	(344,938)	(127,361)	(88,211)	52,771	837,901

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	31st December, 2015 HK$'000	31st December, 2014 HK$'000	31st December, 2013 HK$'000	31st March, 2013 HK$'000	31st March, 2012 HK$'000
Property, plant and equipment	**37,153**	15,804	3,555	1,171	355
Investment properties	**–**	–	–	88,000	80,000
Properties under development	**1,297,349**	1,305,087	1,308,632	–	–
Investment in a joint venture	**575,639**	575,639	575,591	559,348	628,531
Goodwill	**235,090**	234,522	228,310	–	–
Prepayments	**71,607**	69,689	58,115	42,823	–
Current assets	**3,293,190**	3,199,925	2,776,131	386,025	368,047
Total assets	**5,510,028**	5,400,666	4,950,334	1,077,367	1,076,933
Current liabilities	**(3,476,782)**	(168,276)	(113,569)	(462,311)	(515,597)
Non-current other payables	**–**	(2,881,901)	(3,229,411)	–	–
Convertible bonds	**(467,191)**	(446,223)	–	–	–
Derivative financial instruments	**(177,361)**	(30,946)	–	–	–
Deferred tax liabilities	**(348,286)**	(362,536)	(362,536)	–	–
Total liabilities	**(4,469,620)**	(3,889,882)	(3,705,516)	(462,311)	(515,597)
Non-controlling interests	**26**	26	26	26	388

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