PING SHAN TEA GROUP LIMITED

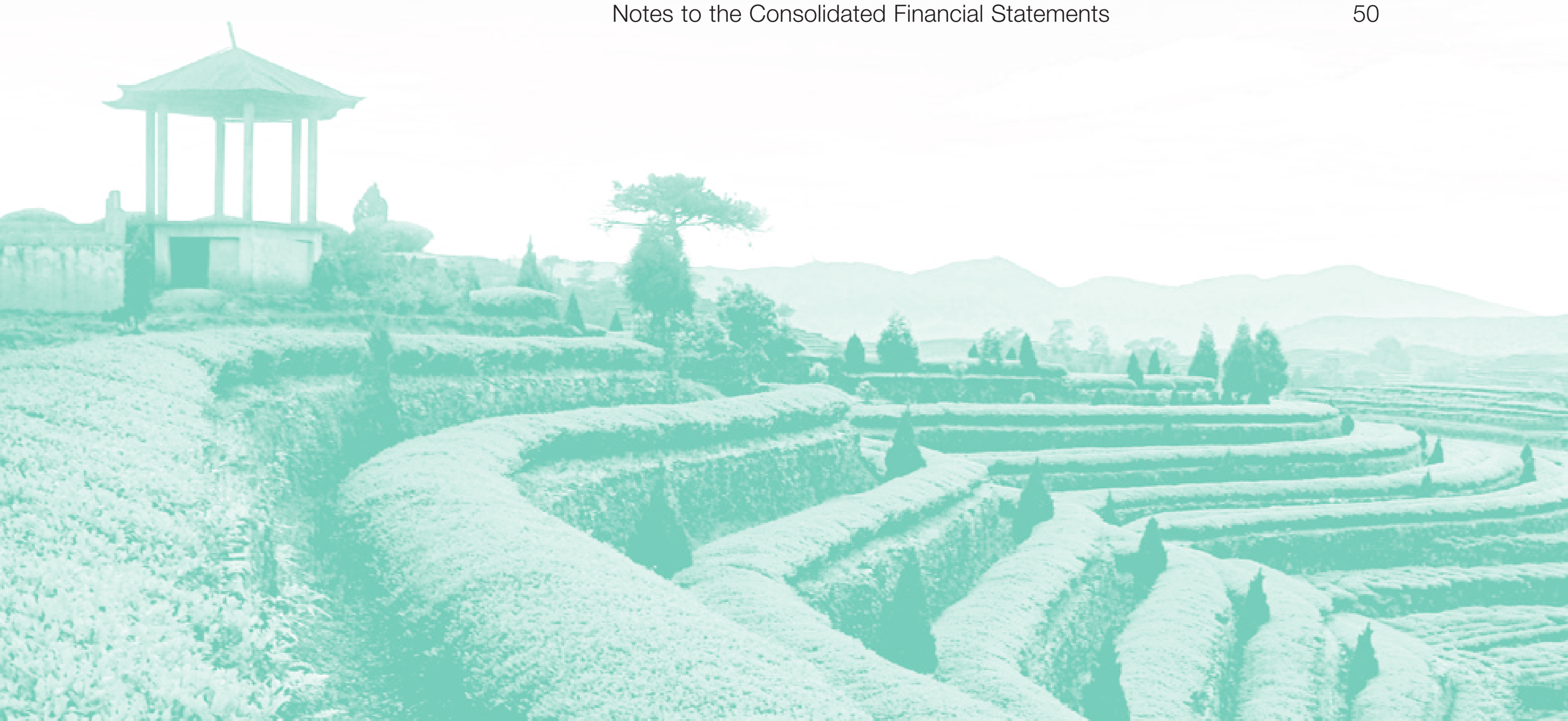
坪山茶業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 364)

2015 Annual Report

Contents



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cai Zhenrong *(Chairman)*
Mr. Cai Zhenyao
Mr. Cai Zhenying
Mr. Cai Yangbo *(Managing Director)*
Mr. Choi Wing Toon

Independent Non-executive Directors

Mr. Lawrence Gonzaga
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai

AUDIT COMMITTEE

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai

REMUNERATION COMMITTEE

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai

NOMINATION COMMITTEE

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai

AUTHORIZED REPRESENTATIVES

Under the Stock Exchange:
Mr. Cai Yangbo
Mr. Choi Wing Toon

Under the Companies Registry:
Mr. Cai Zhenrong
Mr. Choi Wing Toon

COMPANY SECRETARY

Mr. Ip Wai Sing, *ACPA*

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3505, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

REGISTRARS

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall, Cricket Square
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

AUDITOR

PKF Hong Kong
26/F., Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

LEGAL ADVISERS

As to Cayman Islands laws

Conyers Dill & Pearman

As to Hong Kong laws

Patrick Mak & Tse

PRINCIPAL BANKERS

Bank of Communications Co., Ltd
Hang Seng Bank Limited

WEBSITE

www.pingshantea.com.hk

STOCK CODE

364

Five-Year Financial Summary

The following is a summary of the published consolidated results and of the assets and liabilities of Ping Shan Tea Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the last five financial years:

RESULTS

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000 (restated)	15 months ended 31 December 2013 HK$'000 (restated)	**Year ended 30 September** 2012 HK$'000	2011 HK$'000
REVENUE	**822,524**	479,316	262,329	–	–
LOSS FROM OPERATIONS	**(706,069)**	(377,741)	(26,065)	(16,754)	(35,027)
Finance costs	**(115,694)**	(72,742)	(37,081)	(9,016)	(9,820)
Loss on modifications of convertible bonds	**–**	–	–	(1,943)	–
Share of losses of an associate	**(2,894)**	(1,913)	–	–	–
LOSS BEFORE TAX	**(824,657)**	(452,396)	(63,146)	(27,713)	(44,847)
Income tax expense	**(2,949)**	(1,508)	(4,557)	–	–
LOSS FROM CONTINUING OPERATIONS	**(827,606)**	(453,904)	(67,703)	(27,713)	(44,847)
LOSS FROM DISCONTINUED OPERATIONS	**–**	(402,651)	(1,142)	(163,062)	(93,609)
LOSS BEFORE NON-CONTROLLING INTERESTS	**(827,606)**	(856,555)	(68,845)	(190,775)	(138,456)
Non-controlling interests	**(933)**	(314)	–	–	–
LOSS FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(826,673)**	(856,241)	(68,845)	(190,775)	(138,456)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 31 December 2013 HK$'000 (restated)	**At 30 September** 2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS	**2,587,241**	3,118,570	3,942,152	1,033,382	1,091,308
CURRENT ASSETS	**2,125,850**	1,848,685	1,576,780	694,271	830,635
TOTAL ASSETS	**4,713,091**	4,967,255	5,518,932	1,727,653	1,921,943
CURRENT LIABILITIES	**730,608**	873,855	601,062	268,318	287,285
NON-CURRENT LIABILITIES	**1,099,027**	544,905	759,166	147,168	162,833
TOTAL LIABILITIES	**1,829,635**	1,418,760	1,360,228	415,486	450,118
NET ASSETS	**2,883,456**	3,548,495	4,158,704	1,312,167	1,471,825
NON-CONTROLLING INTERESTS	**2,499**	3,544	–	–	–

Note 1: The summary of the results, assets, liabilities and non-controlling interests of the Group for 15 months ended 31 December 2013 and year ended 31 December 2014 are extracted from the Company's annual report 2014 prepared in accordance with International Financial Reporting Standards, with restatement as mentioned in note 2(c) to the consolidated financial statements on pages 51 to 52 of this annual report.

Note 2: The comparatives of assets, liabilities and non-controlling interests have been restated to reflect the effect of early adoption of new International Financial Reporting Standards in issue but not yet effective in 2015 (see note 2(c) to the consolidated financial statements).

Chairman's Statement

FINAL RESULTS

On behalf of the board of directors of the Company (the "Board"), I am pleased to present the Group's audited results for the year ended 31 December 2015 (the "Year"). The Group's consolidated revenue from continuing operations for the Year increased by 71.6% to approximately HK$822.5 million (year ended 31 December 2014 ("Year 2014"): approximately HK$479.3 million). Gross profit from continuing operations increased by 1.1% to approximately HK$208.0 million (Year 2014: approximately HK$205.7 million). Loss attributable to owners of the Company decreased by 3.5% and amounted to approximately HK$826.7 million (Year 2014: approximately HK$856.2 million, as restated). The loss was mainly attributable to impairment loss on goodwill of approximately HK$815.0 million (Year 2014: approximately HK$595.5 million). In addition, there was loss from discontinued operations amount to approximately HK$402.6 million for Year 2014 while no such item for the Year.

BUSINESS REVIEW

During the Year and subsequent to 31 December 2015, the Company continued to expand the tea business through acquisitions of tea related business as mentioned in "Material Acquisition or Disposal of Subsidiaries" and "Events After the Reporting Period" in addition to the acquisitions made during the last three years. The Group is in the process of integrating various tea related business acquired during the last three years. Revenue increased from approximately HK$479.3 million for the Year 2014 to approximately HK$822.5 million for the Year, principally due to the sales of inventories brought forward from the previous year and inventories harvested and purchased during the Year at lower gross margins due to sluggish consumer markets, especially the tea products for business gifts. There is a pressure on both sales and selling prices of the Group's tea products. As such, the Company sold the inventories at lower margins which drove the increase in sales. In addition, as a result of disposal of loss-making textile business during the Year 2014 but there were no such disposals during the Year, the loss of the Group decreased from approximately HK$856.6 million for the Year 2014 (as restated) to approximately HK$827.6 million for the Year.

Overall, the Group's revenue from continuing operations for the Year increased by 71.6% to approximately HK$822.5 million (Year 2014: approximately HK$479.3 million) and loss attributable to equity shareholders of the Company for the Year decreased by 3.5% to approximately HK$826.7 million (Year 2014: approximately HK$856.2 million, as restated). The loss attributable to equity shareholders of the Company for the Year was mainly due to impairment loss on goodwill of approximately HK$815.0 million (Year 2014: approximately HK$595.5 million). Excluding this item, there was loss attributable to equity shareholders of the Company for the Year of approximately HK$11.7 million (Year 2014: approximately HK$260.7 million, as restated).

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 18 March 2016, the Group entered into a share transfer agreement with the vendor, Sure Right Development Limited, to acquire 25% issued share capital of Plenty Partner Limited, a company incorporated in the British Virgin Islands, and the 25% shareholder's loan due by Plenty Partner Limited to Sure Right Development Limited of approximately RMB139,186,000 (equivalent to approximately HK$167,023,000) at a consideration of HK$200,000,000, satisfied by allotment and issue of 2,000,000,000 consideration shares of HK$0.1 per consideration share. The completion will take place within 20 business days after the fulfilment of or waiver of all conditions precedents as defined in the share transfer agreement or such later dates as may be agreed between the parties in the share transfer agreement. Up to the date of this report, the share transfer has not been completed yet.

PROSPECTS

Subsequent to the disposal of textile business in the Year 2014, the Group can now dedicate all efforts to focus on tea business of which the management considers to have great potential. Through various acquisitions and/or investments in tea related business during the previous three years and subsequent to the end of the reporting period, the Group is now in the process of integrating all tea businesses in order to realise their full potential to contribute the profit to the Group. In addition, the Group continues to proactively search for other potential favourable expansion, merger and acquisition opportunities in the tea business and also expansion to other health products related business, so as to realise the long-term potential of tea business and other health products related business, and to further enhance its revenue, sources and profitability, and bring maximised returns to the shareholders of the Company.

APPRECIATION

I would like to take this opportunity to express my hearty thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our Shareholders, suppliers, customers and bankers for their continuous support.

Cai Zhenrong
Chairman

Hong Kong, 30 March 2016

Management Discussion and Analysis

FINANCIAL PERFORMANCE

During the Year, the Group's consolidated revenue from continuing operations increased by 71.6% to approximately HK$822.5 million (Year 2014: approximately HK$479.3 million). The increase was mainly due to the sale of inventories brought forward from previous year and inventories harvested and purchased during the Year at lower gross profit margins due to sluggish consumer markets, especially the tea products for business gifts. As such, the low gross profit margin drove the increase in sales during the Year.

During the Year, gross profit of the Group from continuing operations increased by 1.1% to approximately HK$208.0 million (Year 2014: approximately HK$205.7 million) and gross profit margin decreased by 17.6 percentage points from 42.9% for the Year 2014 to 25.3% for the Year. Decrease in gross profit margin was due to the sales of inventories brought from previous year and inventories harvested and purchased during the Year at lower grass margin due to the sluggish consumer markets, especially the tea products for business gifts. The loss after tax was mainly attributable to impairment loss on goodwill of approximately HK$815.0 million (Year 2014: approximately HK$595.5 million).

BUSINESS DEVELOPMENT AND OUTLOOK

In the Year 2014, the Group has completed the disposal of loss-making textile business and focus into the tea business. The Group has acquired additional tea related business during the Year 2014, the Year and subsequent to the end of the reporting period. The Group is in the process of integrating various tea related business.

Looking ahead, the Group will focus on the tea business which has good potential. The Group will proactively search for favorable expansion, merger and acquisition opportunities in the tea business and other health products related business and also look at various possible business strategies to expand our tea business and other health products related business.

ANALYSIS BY CUSTOMER GEOGRAPHICAL REGIONS

Sales to customers located in the China region accounted for 100% (Year 2014: 100%) of total revenue from continuing operations for the Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had current assets of approximately HK$2,125.9 million (as at 31 December 2014: approximately HK$1,848.7 million) and current liabilities of approximately HK$730.6 million (as at 31 December 2014: approximately HK$873.9 million). The current ratio (calculated as current assets to current liabilities) increased from 2.12 as at 31 December 2014 to 2.91 as at 31 December 2015. The gearing ratio (calculated as the total bank borrowings, the convertible bonds, debentures, financial liabilities at fair value through profit or loss and promissory notes to total shareholders' equity) increased from 0.32 as at 31 December 2014 to 0.58 as at 31 December 2015. These ratios were at reasonably adequate levels as at 31 December 2015 while the Group had sufficient resources in meeting its short-term and long-term obligations.

During the Year, the net cash used in operating activities and net cash generated from financing activities were approximately HK$50.6 million (Year 2014: generated from operating activities of approximately HK$269.5 million) and approximately HK$683.6 million (Year 2014: approximately HK$594.7 million) respectively.

As at 31 December 2015, total bank borrowings increased to approximately HK$36.7 million (as at 31 December 2014: approximately HK$17.5 million), and all the borrowings as at 31 December 2015 were repayable within one year.

During the Year, the Group issued unlisted debentures of approximately HK$879.5 million (Year 2014: approximately HK$280 million) at face value with issuing costs of approximately HK$44.4 million (Year 2014: approximately HK$13.2 million). The debentures are interest bearing at a rate ranging from 4.5% to 8% (Year 2014: 5% to 6%) of the face value per annum, unsecured and repayable on the range from second anniversary to eighth anniversary of the respective date of issue. In addition, the Group redeemed unlisted debentures with principal amounts of HK$199.5 million during the Year (Year 2014: HK$Nil). As at 31 December 2015, the carrying values of the debentures were approximately HK$1,107.7 million (as at 31 December 2014: HK$460.0 million).

During the Year, the original convertible bonds with principal amount of approximately HK$113.3 million were converted to ordinary shares of the Company. The original convertible notes with principal amount of approximately HK$70.0 million were converted to ordinary shares of the Company and the convertible notes with principal amount of approximately HK$137.0 million were repurchased during the Year by issue of promissory note with face value of approximately HK$164.4 million. As at 31 December 2015, the carrying values of convertible bonds and convertible notes (included financial liabilities at fair value through profit and loss) amounted to approximately HK$361.3 million (as at 31 December 2014: approximately HK$430.2 million) and HK$8.5 million (as at 31 December 2014: approximately HK$240.4 million) respectively. As at 31 December 2015, the carrying value of promissory notes amounted to approximately HK$144.6 million (as at 31 December 2014: HK$Nil).

The original convertible bonds with principal amounts of approximately HK$280 million has maturity date on 31 December 2015. The Group is currently in the process of negotiating with the bondholders for the extension and/or restructuring of the terms of these convertible bonds.

CAPITAL STRUCTURE

During the Year, there were increases in the issued share capital of the Company through the following issuance of shares of the Company:

1) issuance of 805,000,000 new ordinary shares upon exercising share options;

2) issuance of 875,000,000 new ordinary shares upon conversion of convertibles notes;

3) issuance of 35,767,776 new ordinary shares upon settlement of interest due under convertible notes; and

4) issuance of 641,006,787 new ordinary shares upon conversion of convertibles bonds.

The total number of issued share capital of the Company as at 31 December 2015 was 18,134,323,704 shares.

CAPITAL EXPENDITURE AND MATERIAL ACQUISITION

During the Year, the total capital expenditure and material acquisition of the Group for the expansion of various plants and erection of new buildings was approximately HK$0.2 million (Year 2014: approximately HK$67.3 million).

In addition, the Group paid approximately HK$550.0 million as deposits for potential business combinations during the Year (Year 2014: HK$157.5 million).

FOREIGN EXCHANGE EXPOSURE

Most assets, liabilities and transactions of the Group are denominated in Renminbi ("RMB") and Hong Kong dollars ("HK$"), except for overseas sales generated from discontinued operations in Year 2014 which were denominated in USD. In view of the currency peg between HK$ and USD, material fluctuations between HK$ to USD in Year 2014 were remote.

The closing exchange rate between HK$ and RMB adopted by the Group as at 31 December 2015 was RMB1: HK$1.20 (as at 31 December 2014: RMB1 to HK$1.25). Due to the depreciation of RMB against HK$ during the Year, the Group recorded a comprehensive loss in exchange differences on translating foreign operations of approximately HK$129.9 million (Year 2014: approximately HK$37.8 million) and share of other comprehensive loss of an associate (related to the translation of foreign operations) of approximately HK$3.9 million (Year 2014: HK$Nil). In view of a relatively stable exchange rates during the last three months before this report, the fluctuations of the foreign currencies between RMB and HK$ will not have a significant impact on the performance of the Group in the coming year.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2015 (as at 31 December 2014: HK$Nil).

EMPLOYMENT INFORMATION

As at 31 December 2015, the total number of employees of the Group in Hong Kong and the PRC was 315 (as at 31 December 2014: 309). The Group's emoluments policies are based on the performance of individual employees and on the basis of the salary trends in various regions, and are reviewed periodically.

For the Year, the total staff costs (including directors' emoluments) amounted to approximately HK$53.4 million (Year 2014: approximately HK$73.6 million), the amount including approximately HK$33.0 million related to the equity-settled share-based payments (Year 2014: approximately HK$13.4 million). The Company maintains a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

On 30 March 2015, Wide Lucky Asia Pacific Limited (the "Purchaser") (a wholly-owned subsidiary of the Company) and Mr. Wang Hui Dong entered into the conditional sale and purchase agreement pursuant to which, the Purchaser has conditionally agreed to acquire 100% of the issued share capital of Greenpost Investments Limited (the "Target Company 1") and an unsecured and interest-free loan in the principal of RMB20,740,000 owed by Xiamen Huidian Design Limited to Mr. Wang Hui Dong at the purchase price of RMB140,000,000 (equivalent to HK$175,000,000), which was agreed to be settled by cash payment. On the same date, the Purchaser and Mr. Ng Chun Pui entered into the conditional sale and purchase agreement pursuant to which, the Purchaser has conditionally agreed to acquire 100% of the issued share capital of Goodsign International Limited (the "Target Company 2") and an unsecured and interest free loan in the principal of RMB27,490,000 owed by Fujian Anxi Jinxiang Tea Limited to Mr. Ng Chun Pui at the purchase price of RMB160,000,000 (equivalent to HK$200,000,000), which was agreed to be settled by cash payment.

Following the completion of above acquisitions, Target Company 1 and Target Company 2 became 100% owned subsidiaries of the Company during the Year. The financial results of the Target Company 1, Target Company 2 and their subsidiaries have been consolidated into the consolidated financial statements of the Group for the Year.

Save as disclosed above, the Group had no other material acquisition or disposal of subsidiaries during the Year.

ADDITIONAL INFORMATION

Unlisted warrants

On 2 December 2014, the Company and Kingwin Capital Group Limited entered into the warrant subscription agreement pursuant to which the Company will issue 2,278,443,162 warrants at the purchase price of HK$0.01 per warrant. Each warrant carries the right to subscribe for one share at the subscription price of HK$0.15 per share (subject to adjustment). Upon the full exercise of the subscription rights attaching to the warrants, a maximum of up to 2,278,443,162 new shares will be issued and allotted. For details, please refer to the Company's announcement dated 2 December 2014 and the circular dated 29 January 2015. The warrant subscription agreement was approved at the extraordinary general meeting on 16 February 2015.

DUAL LISTING

On 28 December 2006, the Company made a pre-application to the Korea Exchange (the "KRX") for the establishment of the Korea Depository Receipts Programme (the "KDR") on the KRX and the Company applied to the relevant authorities for the listing of not more than 300 million new shares (equivalent to 6 million KDRs) under the KDR, by way of public offering in KRX on 16 February 2007. The offering was approved by the Financial Supervisory Service of Korea on 9 November 2007. Subsequently the Company was successfully dual listing in both Hong Kong and Korea on 26 November 2007. For further details, please refer to the Company's announcements dated 27 December 2006, 16 February 2007, 27 June 2007, 23 October 2007 and 9 November 2007 together with the Company's circular dated 28 February 2007. The disclosure agent in Korea is Value C&I Consulting Co., Ltd.

Having been reviewed by the securities market listing committee, the Company made the decision of delisting on 21 October 2015. The Company withdrew from the securities market on 5 November 2015 immediately following the granted period for trading (27 October 2015 to 4 November 2015).

Report of the Corporate Governance

CORPORATE GOVERNANCE

The Company has adopted most of the code provisions as stated in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Board is committed to complying with the CG Code to the extent that the directors of the Company (the "Director(s)") consider it to be practical and applicable to the Company.

The corporate governance principles of the Company emphasize an effective Board, sound internal control, appropriate independence policy, and transparency and accountability to the Shareholders. The Board will continue to monitor and revise the Company's governance policies in order to ensure that such policies meet the general rules and standards required by the Listing Rules. The Company had complied with the CG Code throughout the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code during the Year.

BOARD

The Board is responsible for directing the strategic objectives of the Group and overseeing the management of the business. The Directors are responsible for leadership and control of the Group.

A) Board Composition

The Board currently comprises five executive Directors and three independent non-executive Directors, serving the important functions of guiding the management.

The Board members during the Year and up to the date of this report were:

Executive Directors

Mr. Cai Zhenrong *(Chairman)*
Mr. Cai Zhenyao
Mr. Cai Zhenying
Mr. Cai Yangbo *(Managing Director)*
Mr. Choi Wing Toon

Non-executive Director

Mr. Lam Kai Yeung (Resigned on 18 May 2015)

Independent Non-executive Directors

Mr. Lawrence Gonzaga
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai

The biographical details of the Directors and the relationships among them are set out in "Biographical Details of Directors and Senior Management" on pages 38 to 39 of this report. Save as disclosed in the section headed "Biographical Details of Directors and Senior Management", none of the Directors has any financial, business, family or other material or relevant relationships among members of the Board.

B) Role and Function

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The Directors, collectively and individually, are aware of their responsibilities to the Shareholders, for the manner in which the affairs of the Group are managed and operated. As and when necessary, the Directors can access to the advice and services of the company secretary of the Company (the "Company Secretary"), and in the appropriate circumstances, seeking of independent professional advice at the Group's expense to ensure that the Board procedures, and all applicable rules and regulations are followed.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board fully supports the senior management to discharge its duties and responsibilities in all circumstances. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company arising out of corporate activities of the Group has been arranged by the Company.

C) Meeting Records

There were 17 Board meetings held for the Year. The following was an attendance record of the Board meetings held:

Board Members	**Attendance at meetings held for the Year**
Executive Directors	
Mr. Cai Zhenrong *(Chairman)*	17/17
Mr. Cai Zhenyao	17/17
Mr. Cai Zhenying	17/17
Mr. Cai Yangbo *(Managing Director)*	17/17
Mr. Choi Wing Toon	17/17
Non-executive Director	
Mr. Lam Kai Yeung (Resigned on 18 May 2015)	1/9
Independent Non-executive Directors	
Mr. Lawrence Gonzaga	2/17
Ms. Choy So Yuk, *BBS, JP*	17/17
Mr. Yuen Chun Fai	17/17

There were 2 general meetings held on 16 February 2015 and 28 May 2015 which were the extraordinary general meeting and annual general meeting of the Company respectively.

The following was an attendance record of the general meetings held.

Board Members	**Attendance at meetings held for the Year**
Executive Directors	
Mr. Cai Zhenrong *(Chairman)*	2/2
Mr. Cai Zhenyao	2/2
Mr. Cai Zhenying	2/2
Mr. Cai Yangbo *(Managing Director)*	2/2
Mr. Choi Wing Toon	2/2
Non-executive Director	
Mr. Lam Kai Yeung (Resigned on 18 May 2015)	0/1
Independent Non-executive Directors	
Mr. Lawrence Gonzaga	0/2
Ms. Choy So Yuk, *BBS, JP*	2/2
Mr. Yuen Chun Fai	2/2

D) Independent Non-executive Directors

During the Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that all three independent non-executive Directors are independent. The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

E) Directors' Training

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

During the Year and up to the date of this report, the Company had arranged to provide to all Directors with the "A Guide on Directors' Duties" issued by Companies Registry. Each of the Directors had noted and studied the above mentioned documents and that the Company had received from each of the Directors the confirmations on taking continuous professional training.

CHAIRMAN AND CHIEF EXECUTIVE

The role of the chairman and chief executive/managing director are performed by Mr. Cai Zhenrong and Mr. Cai Yangbo respectively. This segregation ensures a clear distinction between the chairman's and the chief executive/managing director's responsibilities which allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability.

NON-EXECUTIVE DIRECTORS

Terms of Appointment of Non-executive Directors

The two independent non-executive Directors, Mr. Lawrence Gonzaga and Ms. Choy So Yuk, *BBS, JP* entered into a letter of appointment with the Company and was appointed for an initial term of two years commencing from 16 January 2015. The independent non-executive Director, Mr. Yuen Chun Fai entered into a letter of appointment with the Company and was appointed for an initial term of two years commencing from 31 July 2014.

In accordance with article 108 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:–

- Audit Committee
- Remuneration Committee
- Nomination Committee

Each Board committee makes decisions on matters within its terms of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

A) Audit Committee

The Company has established an audit committee (the "Audit Committee") which consists of three independent non-executive Directors.

Composition of the Audit Committee

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai

Role and Function

The Audit Committee is mainly responsible for:

i. discussing with the external auditor the nature and scope of audit before the audit commences;

ii. reviewing the draft Company's annual and interim accounts before submission to, and providing advice and comments to the Board;

iii. reviewing the external auditor's management letter and considering the appointment of external auditor, their audit fees and questions of resignation or dismissal;

iv. discussing problems and reservations arising from the annual and interim accounts and matters that the external auditor may wish to discuss (in the absence of the management, where necessary); and

v. assessing the risk environment and reviewing risk management and internal control systems of the Group.

Meeting Record

The Audit Committee met twice during the Year, particular in reviewing the interim and annual results, and the internal control of the Group. The following was an attendance record of the Audit Committee meetings for the Year:

Audit Committee Members	**Attendance at meetings held for the Year**
Mr. Lawrence Gonzaga *(Chairman)*	2/2
Ms. Choy So Yuk, *BBS, JP*	2/2
Mr. Yuen Chun Fai	2/2

During the Year, the Audit Committee has discussed the auditing and financial reporting matters, the risk management and internal control systems, and the annual and interim accounts. The audited financial statements of the Group for the Year have been reviewed by the Audit Committee.

B) Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") which consists of three independent non-executive Directors.

Composition of the Remuneration Committee

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai

Role and Function

The Remuneration Committee is mainly responsible for:

i. reviewing any significant changes in human resources policies and structure made in line with the then prevailing trend and business requirements;

ii. making recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

iii. determining the specific remuneration packages of all 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, and make recommendations to the Board of the remuneration of non-executive Directors;

iv. considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

v. reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

vi. reviewing and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

vii. reviewing and approving compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

viii. ensuring that no Director or any of his associates is involved in deciding his own remuneration; and

ix. advising the Shareholders on how to vote in respect of any service contract of the Director which shall be subject to the approval of Shareholders (in accordance with the provisions of rule 13.68 of the Listing Rules).

Meeting Record

The Remuneration Committee met once during the Year. The following was an attendance record of the Remuneration Committee meeting for the Year:

Remuneration Committee Members	Attendance at meetings held for the Year
Mr. Lawrence Gonzaga *(Chairman)*	1/1
Ms. Choy So Yuk, *BBS, JP*	1/1
Mr. Yuen Chun Fai (Appointed on 31 July 2014)	1/1

During the Year, the Remuneration Committee has reviewed the remuneration package of the Board members and the senior management of the Company.

The number of senior management of the Group whose remuneration for the year ended 31 December 2015 fell within the following band is as follows:

	Number of senior management
Nil to HK$1,000,000	1

C) Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") which consists of three independent non-executive Directors.

Composition of the Nomination Committee

Mr. Lawrence Gonzaga *(Chairman)*
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai

Role and Function

The Nomination Committee is mainly responsible for:

i. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

ii. identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and

iii. assessing the independence of independent non-executive Directors and making recommendations to the Board on appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the Chief Executive.

Board Diversity Policy

The Nomination Committee adopted the Board diversity policy on 29 May 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Meeting Record

The Nomination Committee met once during the Year. The following was an attendance record of the Nomination Committee meeting for the Year:

Nomination Committee Members	**Attendance at meetings held for the Year**
Mr. Lawrence Gonzaga *(Chairman)*	1/1
Ms. Choy So Yuk, *BBS, JP*	1/1
Mr. Yuen Chun Fai	1/1

During the Year, the Nomination Committee has reviewed the appointment of the Board members of the Company.

D) Corporate Governance Functions

The Board is responsible for performing the duties on corporate governance functions set out below:

i. developing and reviewing the Company's policies and practices on corporate governance and making recommendations;

ii. reviewing and monitoring the training and continuous professional development of Directors and senior management;

iii. reviewing and monitoring the Company's policies and practices on compliance and legal and regulatory requirements;

iv. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

v. reviewing the Company's compliance with the "Corporate Governance Code and Corporate Governance Report" as set out in Appendix 14 of the Listing Rules and the disclosures in the Corporate Governance Report contained in the annual report of the Company.

AUDITOR'S REMUNERATION

During the Year, the remuneration paid and payable to the auditor of the Company, PKF Hong Kong ("PKF"), for the provision of the Group's audit services and non-audit services amounted to HK$2,000,000 and HK$1,063,000 respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial year which give a true and fair view of the Group's financial position and of the financial performance and cash flows for the year. In preparing the consolidated financial statements for the Year, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and on a going concern basis. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. Having made appropriate enquiries, the Board is not aware any material uncertainties relating to events or conditions which may cost significant doubt over the Group's ability to continue as a going concern. It is the auditor's responsibility to form an independent opinion, based on their audit, on those consolidated financial statements and to report their opinion solely to the Shareholders, as a body, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditor's report.

COMPANY SECRETARY

The Company Secretary is responsible for facilitating the Board process, as well as communications among Board members, with Shareholders and management. According to rule 3.29 of the Listing Rules, the Company Secretary, Mr. Ip Wai Sing has taken no less than 15 hours of relevant professional training for the Year.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to article 64 of the articles of association of the Company, extraordinary general meetings of the Company (the "EGM(s)") shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy (the "Policy") on 28 March 2012. Under the Policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the The Stock Exchange of Hong Kong Limited (the "Stock Exchange") website.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong or the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange square, 338 King's Road, North Point, Hong Kong.

Putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for a requisition for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the requisition.

Shareholders or investors can enquire by putting their proposals with the Company through the following means:–

Hotline no.:	2549 0669
By post:	Room 3505, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong

INVESTOR RELATIONS

To enhance its transparency, the Company encourages dialogue with institutional investors and analysts. Extensive information about the Company's activities is provided in its interim and annual reports, which are sent to Shareholders, analysts and interested parties. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely, to all major news media. The same materials are also available on the Company's website. Media briefings are organized from time to time to relay details of the Group's latest business initiatives and market development plans.

Regular meetings are also held with institutional investors and analysts to disseminate financial and other information related to the Group and its business. These activities keep the public aware of the Group's activities and foster effective communication. The Group's investor relation firm in Hong Kong is Porda Havas International Finance Communications Group.

There were no changes in the constitutional documents of the Company during the Year.

RISK MANAGEMENT AND INTERNAL CONTROL

During the Year, the Board complied with the code provisions on risk management and internal control as set out in the CG Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of its principal activities of the principal subsidiaries are set out in note 36 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

BUSINESS REVIEW

A fair review of the Group's business and its outlook are set out in the sections of Chairman's Statement and Management Discussion and Analysis. Certain financial key performance indicators are provided in the section of Five-Year Financial Summary. Important events affecting the Group occurred since the end of the Year are mentioned in "Events After the Reporting Period".

The Group complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group.

The Group respects the environment and is committed to minimizing its carbon footprints as a socially responsible enterprise. Carbon footprint is defined as the total amount of direct and indirect emissions of Green House Gases (GHGs) expressed in terms of the equivalent amount of Carbon Dioxide of (CO2) emission. Non-hazardous wastes produced from the Group mainly consist of used paper such as office papers and marketing materials. To minimize the impact of carbon footprints on the environment, the Group implements the following practices to use paper efficiently:

- Duplex printing is set as the default mode for most network printers;
- Employees are reminded to practice photocopying wisely;
- Employees are encouraged to use both sides of paper;
- Paper waste is recycled instead of being directly disposed of in landfills;
- Paper is separated from other waste for easier recycling; and
- Boxes and trays are placed beside photocopiers as containers to collect single-sided paper for reuse purpose.

Electricity consumption is identified as having an adverse impact on the environment and natural resources. A typical commercial building uses more energy for lighting than for other electric equipment. The Group is determined to reduce energy consumption and implement conservation practices to reduce the effect of carbon footprint. Air conditioning and light zone arrangements reduce unnecessary electricity usage; employees enforce good practices in maintenance of lighting and electric equipment to ensure they are kept in good and proper condition to maximize efficiency.

Key Risk Factors

The following lists out the key risks and uncertainties facing the Group.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

Key Relationships with Employees, Customers and Suppliers

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the Year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyze on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

SEGMENT INFORMATION

Details of the segment information of the Group for the Year are set out in note 8 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 42 to 150.

The Board does not recommend the payment of a final dividend for the Year (Year 2014: HK$Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 27 June 2016 to Thursday, 30 June 2016, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3304-04, 33/F., Two Chinachem Exchange square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Friday, 24 June 2016.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the Year are set out in note 32 to the consolidated financial statements.

CONVERTIBLE BONDS, DEBENTURES AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Details of the convertible bonds, debentures, financial liabilities at fair value through profit or loss and promissory notes issued by the Company are set out in notes 27, 28, 29 and 30 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, there were increases in the issued share capital of the Company through the following issuance of shares of the Company:

1) issuance of 805,000,000 new ordinary shares upon exercising share options;

2) issuance of 875,000,000 new ordinary shares upon conversion of convertibles notes;

3) issuance of 35,767,776 new ordinary shares upon settlement of interest due under convertible notes; and

4) issuance of 641,006,787 new ordinary shares upon conversion of convertibles bonds.

The total number of issued share capital of the Company as at 31 December 2015 was 18,134,323,704 ordinary shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the Year are set out in note 35(b) to the consolidated financial statements and the consolidated statement of changes in equity on page 47 of this report.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company had distributable reserves of approximately HK$2,426.3 million. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company of approximately HK$3,925.8 million as at 31 December 2015, is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the percentage of sales attributable to the Group's five largest customers was approximately 48.8%, in which sales to the largest customer represented approximately 23.5% of the total sales for the Year.

The percentage of purchase attributable to the Group's five largest supplier was approximately 91.5% while total purchase from the largest supplier represented approximately 88.3% of the total purchase for the Year.

Neither the Directors, any of their close associates nor any Shareholders (which to the best knowledge of the Directors who owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the Year.

Report of the Directors

DIRECTORS

The Directors during the Year and up to the date of this report were as follows:

Executive Directors

Mr. Cai Zhenrong *(Chairman)*
Mr. Cai Zhenyao
Mr. Cai Zhenying
Mr. Cai Yangbo *(Managing Director)*
Mr. Choi Wing Toon

Non-executive Director

Mr. Lam Kai Yeung* (Resigned on 18 May 2015)

Independent Non-executive Directors

Mr. Lawrence Gonzaga
Ms. Choy So Yuk, *BBS, JP*
Mr. Yuen Chun Fai

* On 18 May 2015, Mr. Lam Kai Yeung has resigned as a non-executive Director and ceased to act as the member of audit committee, remuneration committee and nomination committee of the Company due to his intention to concentrate on other business commitments.

In accordance with article 108 of the Company's articles of association, Mr. Cai Zhenrong, Mr. Cai Zhenyao and Mr. Choi Wing Toon will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and Senior Management are set out on pages 38 to 39 of this report.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 1 August 2002, which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Two independent non-executive Directors, namely Mr. Lawrence Gonzaga and Ms. Choy So Yuk, *BBS, JP* have entered into a letter of appointment with the Company for a term of two years from 16 January 2015 to 15 January 2017, which can be terminated by either party giving not less than one month notice in writing to the other party.

One independent non-executive Director, namely Mr. Yuen Chun Fai has entered into a letter of appointment with the Company for a term of two years from 31 July 2014 to 30 July 2016, which can be terminated by either party giving not less than one month notice in writing to the other party.

Each of the Directors is subject to the provisions for retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed herein, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company or his connected entities had a material interest, either directly or indirectly subsisted at the end of the Year or at any time during the Year.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year.

CONTRACT OF SIGNIFICANCE

Save as disclosed herein, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries during the Year.

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 43 to the consolidated financial statements.

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

As at 31 December 2015, the interests and short positions of the Directors and Chief Executives or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register of interests required to be maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

Long Positions

Ordinary shares of HK$0.01 each of the Company

Name of Director	Capacity	Type of interest	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Cai Zhenrong	Beneficial owner	Personal	470,541,000 (Note 1)	2.59%
	Corporate owner	Corporate	6,558,155,840 (Note 2)	36.16%
Mr. Cai Zhenyao	Beneficial owner	Personal	52,752,000 (Note 3)	0.29%
	Corporate owner	Corporate	1,838,540,378	10.13%
Mr. Cai Zhenying	Beneficial owner	Personal	5,000,000 (Note 4)	0.02%

Name of Director	Capacity	Type of interest	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Cai Yangbo	Beneficial owner	Personal	21,770,000 (Note 5)	0.12%
Mr. Choi Wing Toon	Beneficial owner	Personal	4,000,000 (Note 6)	0.02%
Mr. Lawrence Gonzaga	Beneficial owner	Personal	6,000,000 (Note 7)	0.03%
Ms. Choy So Yuk, *BBS, JP*	Beneficial owner	Personal	7,700,000 (Note 8)	0.04%
Mr. Yuen Chun Fai	Beneficial owner	Personal	2,000,000 (Note 7)	0.01%
Mr. Lam Kai Yeung (Resigned on 18 May 2013)	Beneficial owner	Personal	1,000,000 (Note 7)	0.005%

Notes:

1. These Shares include 7,500,000 Shares which are the share options granted to Mr. Cai Zhenrong under the share option scheme adopted by the Company on 24 February 2012 (the "New Scheme").

2. These Shares include 370,779,760 Conversion Shares which have been held and beneficially owned by Smart Fujian Group Limited upon completion of the acquisition of the entire issued share capital of China Natural Tea Holdings Company Limited (the "Acquisition").

3. These Shares include 7,500,000 Shares which are the share options granted to Mr. Cai Zhenyao under the New Scheme.

4. These Shares include 5,000,000 Shares which are the share options granted to Mr. Cai Zhenying under the New Scheme.

5. These Shares include 7,500,000 Shares which are the share options granted to Mr. Cai Yangbo under the New Scheme.

6. These Shares include 1,000,000 Shares which are the share options granted to Mr. Choi Wing Toon under the New Scheme.

7. These Shares are the share options granted to the Directors under the New Scheme.

8. These Share include 6,500,000 Shares which are the share options granted to Ms. Choy So Yuk, *BBS JP* under the New Scheme.

Save as disclosed above, as at 31 December 2015, none of the Directors and Chief Executives or their respective associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register of interests required to be maintained pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company or the Stock Exchange pursuant to the Model Code in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" and "Share option schemes", at no time during the Year was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable the Directors or their associates (as defined in the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DEBENTURES ISSUED

The Company issued debentures in the principal amounts of HK$879,534,000, raising the net proceeds of HK$835,125,000 during the Year. The purpose of the issue is for the expansion of current production capacities, working capital and potential acquisition and repayment of the existing debts.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the Year or subsisting at the end of the Year are set out below:

Share Option Schemes

On 24 February 2012, the Company has passed the resolutions in a Shareholders' meeting for the termination of the share option scheme adopted on 30 August 2002 (the "Terminated Scheme") and the adoption of a new share option scheme (the "New Scheme"). Outstanding share options granted under the Terminated Scheme prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the Terminated Scheme.

As at the date of this report, the total number of shares available for issue under the Terminated Scheme and the New Scheme are 143,400,000 and 2,925,147,691, representing approximately 0.79% and 16.13% of the issued shares of the Company.

The following table discloses details of the Company's share options held by the Directors and employees of the Group and other participants pursuant to the Terminated Scheme and the New Scheme and movements in such holdings during the Year:

Name or category of participant	Date of grant	Exercise period	Exercise price (HK$)	Number of share option: Outstanding as at 1.1.2015	Granted during the Year	Lapsed during the Year	Cancelled during the Year	Exercised during the Year	Outstanding as at 31.12.2015
Mr. Cai Zhenrong	24.10.2013	24.10.2013 – 23.10.2018	0.2538	3,000,000	–	–	–	–	3,000,000
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	1,500,000	–	–	–	–	1,500,000
	30.4.2015	30.4.2015 – 29.4.2020	0.0990	–	3,000,000 (Note)	–	–	–	3,000,000
Mr. Cai Zhenyao	1.3.2010	1.3.2010 – 28.2.2015	0.5200	13,220,000	–	(13,220,000)	–	–	–
	24.10.2013	24.10.2013 – 23.10.2018	0.2538	3,000,000	–	–	–	–	3,000,000
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	1,500,000	–	–	–	–	1,500,000
	30.4.2015	30.4.2015 – 29.4.2020	0.0990	–	3,000,000 (Note)	–	–	–	3,000,000
Mr. Cai Zhenying	1.3.2010	1.3.2010 – 28.2.2015	0.5200	13,220,000	–	(13,220,000)	–	–	–
	24.10.2013	24.10.2013 – 23.10.2018	0.2538	1,000,000	–	–	–	–	1,000,000
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	1,000,000	–	–	–	–	1,000,000
	30.4.2015	30.4.2015 – 29.4.2020	0.0990	–	3,000,000 (Note)	–	–	–	3,000,000
Mr. Cai Yangbo	24.10.2013	24.10.2013 – 23.10.2018	0.2538	3,000,000	–	–	–	–	3,000,000
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	1,500,000	–	–	–	–	1,500,000
	30.4.2015	30.4.2015 – 29.4.2020	0.0990	–	3,000,000 (Note)	–	–	–	3,000,000
Mr. Choi Wing Toon	24.10.2013	24.10.2013– 23.10.2018	0.2538	1,000,000	–	–	–	–	1,000,000
	30.4.2015	30.4.2015 – 29.4.2020	0.0990	–	3,000,000 (Note)	–	–	(3,000,000)	–
Mr. Lawrence Gonzaga	24.10.2013	24.10.2013 – 23.10.2018	0.2538	2,000,000	–	–	–	–	2,000,000
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	1,000,000	–	–	–	–	1,000,000
	30.4.2015	30.4.2015 – 29.4.2020	0.0990	–	3,000,000 (Note)	–	–	–	3,000,000
Ms. Choy So Yuk, *BBS, JP*	1.3.2010	1.3.2010 – 28.2.2015	0.5200	1,200,000	–	(1,200,000)	–	–	–

Name or category of participant	Date of grant	Exercise period	Exercise price (HK$)	Number of share option: Outstanding as at 1.1.2015	Granted during the Year	Lapsed during the Year	Cancelled during the Year	Exercised during the Year	Outstanding as at 31.12.2015
	24.10.2013	24.10.2013 – 23.10.2018	0.2538	2,000,000	–	–	–	–	2,000,000
	20.5.2014	20.5.2014 – 19.5.2019	0.1036	1,500,000	–	–	–	–	1,500,000
	30.4.2015	30.4.2015 – 29.4.2020	0.0990	–	3,000,000 (Note)	–	–	–	3,000,000
Mr. Yuen Chun Fai	30.4.2015	30.4.2015 – 29.4.2020	0.0990	–	2,000,000 (Note)	–	–	–	2,000,000
Mr. Lam Kai Yeung (Resigned on 18 May 2015)	30.4.2015	30.4.2015 – 29.4.2020	0.0990	–	1,000,000 (Note)	–	–	–	1,000,000
Subtotal				50,640,000	24,000,000	(27,640,000)	–	(3,000,000)	44,000,000
Employees	1.3.2010	1.3.2010 – 28.2.2015	0.5200	66,100,000	–	(66,100,000)	–	–	–
Employees	4.4.2011	4.4.2011 – 3.4.2016	0.4000	2,200,000	–	–	–	–	2,200,000
Other participants	4.4.2011	4.4.2011 – 3.4.2016	0.4000	141,200,000	–	–	–	–	141,200,000
Employees	24.10.2013	24.10.2013 – 23.10.2018	0.2538	838,500,000	–	–	–	–	838,500,000
Other participants	24.10.2013	24.10.2017 – 23.10.2018	0.2538	320,500,000	–	–	–	–	320,500,000
Employees	20.5.2014	20.5.2014 – 19.5.2019	0.1036	12,316,000	–	–	–	–	12,316,000
Employees	30.4.2015	30.4.2015 – 29.4.2020	0.0990	–	844,000,000 (Note)	–	–	(802,000,000)	42,000,000
Sub total				1,380,816,000	844,000,000	(66,100,000)	–	(802,000,000)	1,356,716,000
Total				1,431,456,000	868,000,000	(93,740,000)	–	(805,000,000)	1,400,716,000

Note:

Closing price of the shares on the last trading day prior to the date of grant was HK$0.0890 per share.

During the Year, 868,000,000 options were granted, 805,000,000 options were exercised and no options were lapsed or cancelled under the New Scheme; 93,740,000 options were lapsed and no options were exercised or cancelled under the Terminated Scheme.

Details of the specific categories of share options are as follows:

Year	Date of grant	Exercise period	Exercise price HK$
2009	11.5.2009	11.5.2009 – 10.5.2014	0.2550
2010	1.3.2010	1.3.2010 – 28.2.2015	0.5200
2011	4.4.2011	4.4.2011 – 3.4.2016	0.4000
2013	24.10.2013	24.10.2013 – 23.10.2018	0.2538
2014	20.5.2014	20.5.2014 – 19.5.2019	0.1036
2015	30.4.2015	30.4.2015 – 29.4.2020	0.0990

If the share options remain unexercised after the exercise period from the date of grant, the share options will expire. Share options are forfeited if the employee leaves the Group before the share options vest.

Convertible bonds

Details of the convertible bonds of the Company are set out in the note 27 to the consolidated financial statements.

Convertible notes and Unlisted warrants

Details of the convertible notes and unlisted warrants of the Company are set out in the note 29 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2015, to the best knowledge of the Directors, the following person (other than a Director and Chief Executives) who had interests or short positions in the shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions

Ordinary Shares of HK$0.01 each of the Company

Name of Shareholder	Capacity	Long Position/ short position	Number of shares held	Approximate percentage of shareholding in the Company
Ms. Su Li Yuan	Spousal interest	Long Position	7,028,696,840 (Note 1)	38.75%
Smart Fujian Group Limited	Beneficial interest	Long Position	6,558,155,840 (Note 2)	36.16%
Asia Equity Value Ltd.	Beneficial interest Beneficial interest	Long Position Short Position	1,328,888,889 600,000,000	7.32% 3.30%
Ms. Lin Xiupei	Spousal interest	Long Position	1,891,292,378 (Note 3)	10.42%
Exalt Wealth Limited	Beneficial interest	Long Position	1,838,540,378 (Note 3)	10.13%
Central Huijin Investment Ltd.	Corporate interest	Long Position	1,630,525,473 (Note 4)	8.99%
China Construction Bank Corporation	Corporate interest	Long Position	1,630,525,473 (Note 4)	8.99%

Notes:

1. These Shares comprise 470,541,000 Shares held and beneficially owned by Mr. Cai Zhenrong, an executive Director. The remaining Shares of 6,558,155,840 include 370,779,760 Conversion Shares which have been held and beneficially owned by Smart Fujian Group Limited upon completion of the Acquisition. Ms. Su Liyuan, as the spouse of Mr. Cai Zhenrong, is deemed to be interested in these 7,028,696,840 Shares under the SFO.

2. These Shares include 370,779,760 Conversion Shares which have been held and beneficially owned by Smart Fujian Group Limited upon completion of the Acquisition.

3. These Shares comprise 52,752,000 Shares held and beneficially owned by Mr. Cai Zhenyao, an executive Director and 1,838,540,378 Shares held and beneficially owned by Exalt Wealth Limited. The 52,752,000 Shares include 7,500,000 Shares which are the share options granted to Mr. Cai Zhenyao under the New Scheme. Exalt Wealth Limited is wholly-owned by Mr. Cai Zhenyao. Ms. Lin Xiupei, as the spouse of Mr. Cai Zhenyao, is deemed to be interested in these 1,891,292,378 Shares under the SFO.

4. These Shares include 743,519,616 Conversion Shares which have been held and beneficially owned by Teya Holdings Limited, a wholly-owned subsidiary upon completion of the Acquisition. Teya Holdings Limited is indirectly held by China Construction Bank Corporation, which is held and beneficially owned by Central Huijin Investment Ltd.

Save as disclosed above, as at 31 December 2015, no person, other than the Directors and Chief Executives whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had any interest or short positions in the shares of the Company which are required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year, no Directors or their respective close associates (as defined in the Listing Rules) are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

AUDITOR

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

ON BEHALF OF THE BOARD

Cai Zhenrong
Chairman

Hong Kong, 30 March 2016

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cai Zhenrong, aged 68, is the founder, the chairman and an executive Director of the Group. He is also a director of the subsidiaries of the Company. Mr. Cai Zhenrong is responsible for the overall strategic planning, business development and strategic investments of the Group. Mr. Cai Zhenrong has devoted a significant amount of time in the Philippines for the Group's business management and development. Mr. Cai Zhenrong is the brother of Mr. Cai Zhenyao and Mr. Cai Zhenying; the father of Mr. Cai Yangbo; and the cousin of Mr. Choi Wing Toon.

Mr. Cai Zhenyao, aged 61, is an executive Director and the finance director of the Group. He is also a director of one of the subsidiaries of the Company. Mr. Cai Zhenyao has been responsible for the Group's overall organisational and finance systems management since joining the Group in 1993, including the establishment of employees benefits system, production management system, accounting and treasury system and internal control system. Mr. Cai Zhenyao is the brother of Mr. Cai Zhenrong and Mr. Cai Zhenying; the uncle of Mr. Cai Yangbo; and the cousin of Mr. Choi Wing Toon.

Mr. Cai Zhenying, aged 59, is an executive Director and the marketing director of the Group. He is also a director of one of the subsidiaries of the Company. Mr. Cai Zhenying has been responsible for the Group's sales, marketing and promotion functions since joining the Group in 1993. Mr. Cai Zhenying is principally responsible for the formulation and administration of the marketing and promotion activities of the Group as well as customers' liaison for the Group. Mr. Cai Zhenying is the brother of Mr. Cai Zhenrong and Mr. Cai Zhenyao; the uncle of Mr. Cai Yangbo; and the cousin of Mr. Choi Wing Toon.

Mr. Cai Yangbo, aged 41, is a managing and executive Director. Mr. Cai Yangbo was appointed as the managing Director on 16 January 2010. He is also a director of the subsidiaries of the Company. Mr. Cai Yangbo has been responsible for the overall production and human resources of the Group since joining the Group in 1996. Mr. Cai Yangbo is the son of Mr. Cai Zhenrong; the nephew of Mr. Cai Zhenyao and Mr. Cai Zhenying.

Mr. Choi Wing Toon, aged 65, is an executive Director and the marketing and promotion manager of the Group. He is also a director of the subsidiaries of the Company. Mr. Choi Wing Toon has been responsible for the overseas sales and marketing activities of the Group since joining the Group in 1997. Mr. Choi Wing Toon is the cousin of Mr. Cai Zhenrong, Mr. Cai Zhenyao and Mr. Cai Zhenying.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lawrence Gonzaga, aged 42, was appointed as independent non-executive Director in August 2002. He is also the chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Lawrence Gonzaga graduated from De La Salle University in the Philippines in 1993 with a bachelor of science degree in commerce majoring in business management. Mr. Lawrence Gonzaga has worked in a securities company in the Philippines for over 14 years. Mr. Lawrence Gonzaga is a member of the Market Technicians Association and holds the Chartered Market Technician designation.

Biographical Details of Directors and Senior Management

Ms. Choy So Yuk, *BBS, JP* ("Ms. Choy"), aged 65, was appointed as an independent non-executive Director in August 2002. She is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. She obtained her Bachelor of Science and Master of Philosophy degrees from the University of Hong Kong in 1974 and 1980 respectively. Ms. Choy was the founding managing director of SHK International Services Limited (which was subsequently acquired by Ms. Choy and changed its name to Oriental-Western Promotions Limited). Ms. Choy is also an independent non-executive director of Loudong General Nice Resources (China) Holdings Limited, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 988). Ms. Choy holds a wide variety of political, social and academic positions, such as a Deputy of the National People's Congress of China, a Member of the Eastern District Council of Hong Kong Special Administrative Region, and a director of Fujian Middle School. Ms. Choy was a member of the Legislative Council in Hong Kong from 1998 to 2008.

Mr. Yuen Chun Fai ("Mr. Yuen"), aged 37, was appointed as an independent non-executive Director on 18 July 2014. Mr. Yuen holds a bachelor's degree of science in accounting and finance awarded by The London School of Economics and Political Science in 2002. Mr. Yuen is a fellow of the Association of Chartered Certified Accountants and is also a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Yuen has over 12 years experiences in the field of financial reporting, financial management and audit experience in Hong Kong, China, Malaysia and Singapore. Mr. Yuen was an executive director of Cybertowers Berhad (Stock Code: 0022. KL), a company listed in the ACE Market in Malaysia, from April 2012 to June 2013, and was appointed as a non-independent non-executive director of Cybertowers Berhad, from June 2013 to February 2014. Mr. Yuen is currently an independent non-executive director of Rui Kang Pharmaceutical Group Investments Limited (Stock Code: 8037) and the executive director of WLS Holdings Limited (Stock Code: 8021), each of the companies whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. Cai Yanghang, aged 30, was the general manager of Fujian Nature Tea Science and Technology Co., Ltd, the principal subsidiary of the Group. He studied computer science in Huaqiao University（國立華僑大學）from September 2001 to July 2002. Mr. Cai Yanghang has over 7 years of experience in tea industry. Mr. Cai Yanghang is the son of Mr. Cai Zhenrong; the brother of Mr. Cai Yangbo; the nephew of Mr. Cai Zhenyao and Mr. Cai Zhenying.

Independent Auditor's Report

大信梁學濂（香港）會計師事務所

PKF
Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PING SHAN TEA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ping Shan Tea Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 150, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of 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 International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 International Standards on Auditing issued by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

PKF
Certified Public Accountants
Hong Kong

30 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Note	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000 (restated)
CONTINUING OPERATIONS			
REVENUE	6	**822,524**	479,316
Cost of sales		**(614,480)**	(273,628)
GROSS PROFIT		**208,044**	205,688
Changes in fair value of agricultural produce less costs to sell during the year	17	**9,757**	24,340
Other income	7	**6,992**	18,340
Selling and distribution expenses		**(16,550)**	(16,353)
Administrative expenses		**(83,809)**	(67,702)
Gain on bargain purchase from business combination	37(c)	**–**	106,681
Impairment loss on goodwill	18	**(815,013)**	(595,498)
Change in fair value of financial liabilities at fair value through profit or loss	29	**(17,021)**	(33,391)
Surplus/(deficit) on revaluation of property, plant and equipment		**1,531**	(19,846)
LOSS FROM OPERATIONS		**(706,069)**	(377,741)
Finance costs	10	**(115,694)**	(72,742)
Share of losses of an associate		**(2,894)**	(1,913)
LOSS BEFORE TAX		**(824,657)**	(452,396)
Income tax expense	11	**(2,949)**	(1,508)
Loss for the year from continuing operations		**(827,606)**	(453,904)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	15	**–**	(402,651)
LOSS FOR THE YEAR	12	**(827,606)**	(856,555)
ATTRIBUTABLE TO:			
Equity shareholders of the Company		**(826,673)**	(856,241)
Non-controlling interests		**(933)**	(314)
LOSS FOR THE YEAR		**(827,606)**	(856,555)

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Note	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000 (restated)
LOSS PER SHARE	14		
From continuing and discontinued operations			
– Basic		**(HK4.81 cents)**	(HK6.33 cents)
– Diluted		**N/A**	N/A
From continuing operations			
– Basic		**(HK4.81 cents)**	(HK3.35 cents)
– Diluted		**N/A**	N/A
From discontinued operations			
– Basic		**N/A**	(HK2.98 cents)
– Diluted		**N/A**	N/A

The notes on pages 50 to 150 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 HK$'000	Year ended 31 December 2015 HK$'000 (restated)
LOSS FOR THE YEAR		**(827,606)**	(856,555)
Other comprehensive loss:–			
Items that will not be reclassified to profit or loss:–			
Deficit on properties revaluation		**(319)**	–
Deferred tax relating to deficit on property revaluation	31(b)	**80**	–
		(239)	–
Items that may be subsequently reclassified to profit or loss:–			
Exchange differences on translating foreign operations		**(129,853)**	(37,828)
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	38	**–**	(243,754)
Share of other comprehensive loss of an associate		**(3,880)**	–
		(133,733)	(281,582)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(133,972)**	(281,582)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(961,578)**	(1,138,137)
ATTRIBUTABLE TO:-			
Equity shareholders of the Company		**(960,533)**	(1,137,828)
Non-controlling interests		**(1,045)**	(309)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(961,578)**	(1,138,137)

The notes on pages 50 to 150 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2015

	Note	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	16	**948,832**	1,013,284	1,371,890
Intangible assets	18	**987,201**	1,544,097	2,150,372
Interest in an associate	19	**92,578**	99,352	–
Available-for-sale financial assets		**–**	–	1,323
Deposits paid	20	**552,000**	454,688	410,445
Other receivables and prepayments	21	**2,014**	2,107	7,384
Deferred tax assets	31	**4,616**	5,042	738
		2,587,241	3,118,570	3,942,152
CURRENT ASSETS				
Inventories	22	**51,510**	171,011	209,335
Trade receivables	23	**376,578**	20,200	173,347
Prepayments, deposits and other receivables		**9,317**	150,236	177,607
Pledged bank deposits	24	**–**	25,000	37,800
Cash and bank balances	24	**1,688,445**	1,482,238	978,691
		2,125,850	1,848,685	1,576,780
CURRENT LIABILITIES				
Bank loans, secured	25	**36,732**	17,500	30,240
Trade and bills payables	26	**12,811**	64,076	102,496
Receipts in advance, other payables and accruals	26	**122,277**	120,734	439,427
Amount due to a related party	26	**1,861**	1,576	1,588
Amount due to the sole shareholder of the non-controlling interest's shareholder	26	**–**	43,636	–
Convertible bonds	27	**302,981**	282,698	–
Debentures	28	**83,336**	191,461	–
Financial liabilities at fair value through profit or loss	29	**8,531**	130,323	–
Promissory notes	30	**144,564**	–	–
Current tax liabilities		**17,515**	21,851	27,311
		730,608	873,855	601,062
NET CURRENT ASSETS		**1,395,242**	974,830	975,718

Consolidated Statement of Financial Position

At 31 December 2015

	Note	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,982,483**	4,093,400	4,917,870
NON-CURRENT LIABILITIES				
Convertible bonds	27	**58,343**	147,492	525,151
Debentures	28	**1,024,398**	268,583	185,885
Financial liabilities at fair value through profit or loss	29	**–**	110,068	–
Deferred tax liabilities	31	**16,286**	18,762	48,130
		1,099,027	544,905	759,166
NET ASSETS		**2,883,456**	3,548,495	4,158,704
CAPITAL AND RESERVES				
Share capital	32	**181,343**	157,775	117,760
Reserves	35	**2,699,614**	3,387,176	4,040,944
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**2,880,957**	3,544,951	4,158,704
NON-CONTROLLING INTERESTS	39	**2,499**	3,544	–
TOTAL EQUITY		**2,883,456**	3,548,495	4,158,704

Approved and authorised for issue by the Board of Directors on 30 March 2016.

Cai Zhenyao
Director

Choi Wing Toon
Director

The notes on pages 50 to 150 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Note	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000	Share-based payment reserve HK$'000	Convertible bonds reserve HK$'000	Translation reserve HK$'000	Statutory reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to equity shareholder of the Company										
At 1 January 2014, as restated		117,760	2,914,047	82,609	138,011	278,899	262,437	12	364,929	4,158,704	–	4,158,704
Comprehensive loss, as restated												
Loss for the year, as restated		–	–	–	–	–	–	–	(856,241)	(856,241)	(314)	(856,555)
Other comprehensive loss, as restated												
Exchange differences on translation of foreign operations, as restated		–	–	–	–	–	(37,828)	–	–	(37,828)	–	(37,828)
Release upon disposal of subsidiaries		–	–	–	–	–	(243,754)	–	–	(243,754)	–	(243,754)
Total comprehensive loss for the year, as restated		–	–	–	–	–	(281,582)	–	(856,241)	(1,137,823)	(314)	(1,138,137)
Transfer to retained profits upon disposal of subsidiaries		–	–	(82,279)	–	–	–	–	82,279	–	–	–
Placing of shares		6,000	102,000	–	–	–	–	–	–	108,000	–	108,000
Issue of shares for business combination	37(c)	21,600	218,160	–	–	–	–	–	–	239,760	3,858	243,618
Conversion of convertible bonds	27(b)	8,933	190,658	–	–	(72,764)	–	–	–	126,827	–	126,827
Lapse of share options granted in prior years		–	–	–	(11,220)	–	–	–	11,220	–	–	–
Equity settled share-based transactions	33	–	–	–	13,407	–	–	–	–	13,407	–	13,407
Exercise of share options granted during the year	33	3,482	45,228	–	(12,634)	–	–	–	–	36,076	–	36,076
Appropriation		–	–	–	–	–	–	534	(534)	–	–	–
At 31 December 2014 and 1 January 2015, as restated		157,775	3,470,093	330	127,564	206,135	(19,145)	546	(398,347)	3,544,951	3,544	3,548,495
Comprehensive loss												
Loss for the year		–	–	–	–	–	–	–	(826,673)	(826,673)	(933)	(827,606)
Other comprehensive loss												
Properties revaluation deficit, net of tax		–	–	(239)	–	–	–	–	–	(239)	–	(239)
Exchange differences on translation of foreign operations		–	–	–	–	–	(129,741)	–	–	(129,741)	(112)	(129,853)
Share of other comprehensive loss of an associate		–	–	–	–	–	(3,880)	–	–	(3,880)	–	(3,880)
Total comprehensive loss for the year		–	–	(239)	–	–	(133,621)	–	(826,673)	(960,533)	(1,045)	(961,578)
Conversion of convertible bonds	27(b)	6,410	142,212	–	–	(52,213)	–	–	–	96,409	–	96,409
Equity settled share-based transactions	33	–	–	–	32,958	–	–	–	–	32,958	–	32,958
Exercise of share options granted during the year	33	8,050	102,628	–	(30,983)	–	–	–	–	79,695	–	79,695
Lapse of share options granted in prior years		–	–	–	(15,331)	–	–	–	15,331	–	–	–
Conversion of financial liabilities at fair value through profit or loss	29	8,750	75,865	–	–	–	–	–	–	84,615	–	84,615
Issue of shares for settlement of interest due under financial liabilities at fair value through profit or loss	29	358	2,504	–	–	–	–	–	–	2,862	–	2,862
Appropriation		–	–	–	–	–	–	51	(51)	–	–	–
At 31 December 2015		**181,343**	**3,793,302**	**91**	**114,208**	**153,922**	**(152,766)**	**597**	**(1,209,740)**	**2,880,957**	**2,499**	**2,883,456**

Note: The share premium account of the Group includes:–

(i) the premium arising from the issue of new shares; and

(ii) the difference between the nominal value of the share capital of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange therefor pursuant to a reorganisation scheme ("the Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 30 August 2002. Further details of the Group Reorganisation and the subsidiaries acquired pursuant thereto are set out in Appendix IV "Statutory and General Information" in the Company's prospectus dated 20 August 2002.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		
– continuing operations	**(824,657)**	(452,396)
– discontinued operations	**–**	(401,916)
Adjustments for:–		
Bank interest income	**(5,885)**	(5,893)
Actual interest on convertible bonds	**14,786**	11,118
Imputed interest on convertible bonds	**15,098**	24,261
Interest on cash consideration payable for business combination	**4,643**	971
Interest on debentures	**47,309**	17,075
Amortisation of issuing cost of debentures	**12,065**	7,379
Interest on financial liabilities at fair value through profit or loss	**1,320**	8,901
Interest on promissory notes	**18,356**	–
Other finance costs	**2,117**	3,037
Depreciation of property, plant and equipment	**37,067**	58,893
Amortisation of intangible assets	**8,072**	6,601
Property, plant and equipment written off	**148**	4,166
(Surplus)/deficit on revaluation of property, plant and equipment	**(1,531)**	19,846
Loss on disposal of subsidiaries	**–**	385,879
Impairment loss on goodwill	**815,013**	595,498
Impairment loss on other receivables	**2,158**	–
Share of losses of an associate	**2,894**	1,913
Gain on bargain purchase from business combination	**–**	(106,681)
Charges in fair value of financial liabilities at fair value through profit or loss	**17,021**	33,391
Equity-settled share-based payments	**32,958**	13,407
Operating profit before working capital changes	**198,952**	225,450
Changes in working capital:–		
Inventories	**142,349**	(1,631)
Trade receivables	**(331,079)**	20,328
Prepayments, deposits and other receivables	**55,514**	41,994
Trade and bills payables	**(56,859)**	(31,360)
Receipts in advance, other payables and accruals	**(7,432)**	15,668
Amount due to a related party	**360**	–
Amount due to the sole shareholder of the non-controlling interest's shareholder	**(43,287)**	–
Cash (used in)/generated from operations	**(41,482)**	270,449
Income tax paid	**(9,156)**	(919)
Net cash (used in)/generated from operating activities	**(50,638)**	269,530

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000 (restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire and deposits for acquisition of property, plant and equipment		**(249)**	(67,314)
Deposits paid for potential business combination		**(550,000)**	(157,500)
Net cash inflow from disposal of subsidiaries		**139,600**	104,992
Net cash outflow for business combination	37	**(7,643)**	(122,660)
Capital injection in an associate		**–**	(101,250)
Refund of deposits paid for acquisition of bearer plants		**67,188**	–
Interest received		**5,885**	5,893
Cash consideration paid for business combination in 2013		**(15,000)**	–
Net cash used in investing activities		**(360,219)**	(337,839)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of financial liabilities at fair value through profit or loss		**–**	253,000
Redemption of financial liabilities at fair value through profit or loss		**–**	(46,000)
Redemption of promissory notes		**(38,000)**	–
Net proceeds from issue of debentures		**835,125**	266,780
Redemption of debentures		**(199,500)**	–
New bank loans raised		**37,956**	–
Repayment of bank loans		**(17,360)**	(12,500)
Proceeds from shares issued on exercise of share options		**79,695**	36,076
Proceeds from placing of shares		**–**	108,000
Convertible bond interest paid		**(2,341)**	(3,513)
Interest paid on financial liabilities at fair value through profit or loss		**–**	(7,360)
Interest paid on debentures		**(31,894)**	(10,531)
Interest paid on cash consideration payable for business combination		**(2,743)**	–
Interest paid on promissory notes		**(58)**	–
Other finance costs paid		**(2,117)**	(1,772)
Decrease in pledged bank deposits		**24,800**	12,500
Net cash generated from financing activities		**683,563**	594,680
NET INCREASE IN CASH AND CASH EQUIVALENTS		**272,706**	526,371
Effect of foreign exchange rate changes		**(66,499)**	(22,824)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**1,482,238**	978,691
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**1,688,445**	1,482,238
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,688,445**	1,482,238

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 3505, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Initial application of IFRSs

In the current year, the Group initially applied the following new or revised standards and amendments ("New IFRSs") issued by the IASB:–

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements to IFRSs (2010-2012)	Amendments to IFRS 8, IAS 16, IAS 24 and IAS 38
Annual improvements to IFRSs (2011-2013)	Amendments to IFRS 3, IFRS 13 and IAS 40

The initial application of these New IFRSs does not necessitate material changes in the Group's accounting policies and retrospective adjustments of the comparatives presented in the consolidated financial statements.

2. BASIS OF PREPARATION (continued)

(c) IFRSs in issue but not yet effective

The following new and revised IFRSs in issue at 31 December 2015 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the year:–

IFRS 9 (2014)	Financial Instruments[2]
IFRS 14	Regulatory Deferral Accounts[4]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Method of Depreciation and Amortisation[1]
Amendments to IAS 27	Equity Method in Separate Financial Statements[1]
Amendments to IAS 28 and IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to IAS 28, IFRS 10 and IFRS 12	Investment Entities: Applying the Consolidation Exception[1]
Annual improvements to IFRSs (2012-2014)	Amendments to IFRS 5, IFRS 7 and IAS 19[1]

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

Early adoption of Amendments to IAS 16 and IAS 41

Except for the early adoption of "Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants" as stated below, the Group has not applied any other new IFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of other amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

In the current year, the Group early adopted "Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants" which is effective for annual periods beginning on or after 1 January 2016 with earlier application is permitted. In prior periods, the bearer plants are measured at fair value less costs to sell at initial recognition and at the end of each reporting period, with any change therein recognised in profit or loss in accordance with IAS 41. Following the early adoption of "Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants", the Group's Tea Forests (as defined in note 3(e)), which meet the definition of bearer plants, are measured using cost model set out in IAS 16 and stated at cost less accumulated depreciation less accumulated impairment losses. The produces growing on the bearer plants continues to be accounted for in accordance with IAS 41. This change in accounting policy has been applied retrospectively.

2. BASIS OF PREPARATION (continued)

(c) IFRSs in issue but not yet effective (continued)

The effects of early adoption of "Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants" on the consolidated financial statements are set out below:

	Year ended 31 December 2014 HK$'000
Decrease in changes in fair value of biological assets less costs to sell	(33,645)
Increase in depreciation included in administrative expenses	(3,539)
Increase in share of losses of an associate	(5,764)
Decrease in income tax expense	4,648
Increase in loss for the year	(38,300)
Increase in loss attributable to:	
Equity shareholders of the Company	(37,111)
Non-controlling interests	(1,189)
	(38,300)
	HK Cents
Increase in loss per share:	
Basic	(0.28)
Diluted	N/A

	At 31 December 2014 HK$'000	At 1 January 2014 HK$'000
Increase in property, plant and equipment	**795,418**	336,333
Decrease in biological assets	**(820,000)**	(323,820)
Decrease in interest in an associate	**(5,719)**	–
Decrease/(increase) in deferred tax liabilities	**3,072**	(1,564)
(Decrease)/increase in net assets	**(27,229)**	10,949
Increase in retained profits	**–**	10,862
Increase in accumulated losses	**(26,249)**	–
Increase in translation reserve	**209**	87
Decrease in non-controlling interests	**(1,189)**	–
(Decrease)/increase in total equity	**(27,229)**	10,949

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings and financial liabilities at fair value through profit or loss which are carried at their fair values.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company.

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

All intra-group transaction, balances, income and expenses are eliminated on consolidation.

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

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

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

(b) Business combination 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 to the Group, liabilities assumed by the Group from 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 acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition 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 by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combination and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with IFRS 13 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled 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 assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary 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 the end of the reporting period. 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 forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(d) Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is also the Company's functional currency. The functional currency of the Company or its subsidiaries is the currency of the primary economic environment in which the Company or its subsidiaries operates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

Foreign currency transactions of the Company or its subsidiaries are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of reporting period and the exchange differences arising are recognised in profit or loss. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognised in the profit or loss, except for the exchange component of a gain or loss that is recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the reporting period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised as a separate component of equity. Such translation differences are recognised in profit or loss for the reporting period in which the foreign operation is disposed of.

(e) Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings are carried at fair values, based on periodic valuations by external independent professional valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Revaluation increases of buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the properties revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the properties revaluation reserve are charged against the properties revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued building, the attributable revaluation increases remaining in the properties revaluation reserve is transferred directly to retained profits and is not reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

A bearer plant is a living plant that:

(a) is used in the production or supply of agricultural produce;

(b) is expected to bear produce for more than one period; and

(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants of the Group comprise tea trees in forests, of which the Forestry Right Certificates have been issued to the Group for the purpose of tea plantation ("Tea Forest") involved in the agricultural activities of the transformation of bearer plants into agricultural produce for sale or further processing.

Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by the management.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs or revalued amounts, less their residual values, if any, on a straight-line basis over their estimated useful lives as follows:–

Leasehold land	over the lease terms
Buildings	the shorter of the lease terms and 10 to 50 years
Plant and machinery	5 – 15 years
Furniture, fixtures, office equipment and motor vehicles	3 – 10 years
Bearer plants	over the lease terms of 28 to 45 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending for installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

Gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Agricultural produce

Agricultural produce harvested from bearer plants is measured at its fair value less costs to sell at the point of harvest. Costs to sell include all costs that would be necessary to sell the agricultural produce. The fair value less costs to sell at the time of harvest is deemed as the cost of agriculture produce.

If an active market exists for agricultural produce with reference to comparable species, growing condition and expected yield of the crops, the quoted price in that market is adopted for determining the fair value of the agricultural produce. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers.

(g) Leases

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

(i) Classification of assets leased to the Group

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

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases (continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(w). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(h) Technical know-how and trademark

Technical know-how and trademark acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of technical know-how and trademark. Technical know-how and trademark are amortised from the date they are available for use and the estimated useful lives are ten years and seven years respectively from the date they are available for use according to the agreements entered by the Group for acquisition of the technical know-how and trademark.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(k) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Investments (continued)

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

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

(l) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. Gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(m) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:–

– the amount of the obligations under the contracts, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight–line basis over the terms of the guarantee contracts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial liabilities and equity instruments (continued)

Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds reserve.

The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity components is charged directly to equity.

The liability component (or part of the liability component) of the convertible bonds is derecognised when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expired.

A significant modification of the terms of the convertible bond is accounted for as a recognition of a new compound instrument and an extinguishment of the original compound instrument before maturity. The difference between the carrying amount of the original liability component extinguished and its fair value at the date of modification is recognised in profit or loss. The difference between the fair value at the date of modification of the original liability component extinguished and the fair value of the newly recognised liability component is recognised in the equity/convertible bond reserve. The carrying amount of the equity component of the original compound instrument extinguished is released from convertible bond reserve to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial liabilities and equity instruments (continued)

Convertible notes and warrants designated at fair value through profit or loss

The convertible notes (including related embedded derivatives) and warrants are designated as financial liabilities at fair value through profit or loss on initial recognition with transaction cost charge to the profit or loss. Subsequent to initial recognition, the convertible notes and warrants are measured at fair value in subsequent period or upon derecognition of the convertible notes and warrants, with changes in fair value recognised directly in the profit or loss in the period in which they arise.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Debentures and promissory notes

Debentures and promissory notes are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

(p) Revenue recognition

Revenue from sales of raw teas, refined teas and other related products and manufactured goods is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from the provision of fabric processing services is recognised when the services are rendered.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(r) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and business consultants. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to those persons that provide the nature of business development to the Group are measured at the fair value of the services received or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and recognised as expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(t) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

(u) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Taxation (continued)

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(v) Related parties

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Related parties (continued)

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

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

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

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

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

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

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

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

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

(w) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Impairment of assets (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(x) Provisions and contingent liabilities

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

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

(y) Segment reporting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Segment reporting (continued)

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

Segment assets included all tangible, intangible, non-current and current assets with the exception of corporate assets. Segment liabilities included current and non-current liabilities attributable to the individual segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items may comprise certain financial and corporate assets, certain financial and corporate liabilities, other income, certain corporate and financing expenses, income tax expenses and certain non-recurring income or expenses as disclosed in note 8.

(z) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements apart from those involving estimations, which are dealt with below.

Legal titles of buildings and leasehold land in the People's Republic of China (the "PRC")

As stated in note 16 to the consolidated financial statements, the ownership certificates of certain buildings and leasehold land located in the PRC were not issued to the Group as at 31 December 2015. Despite the fact that the Group has not obtained the relevant ownership certificates, the directors determine to recognise those buildings and leasehold land located in the PRC as property, plant and equipment on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling those buildings and leasehold land located in the PRC.

Key sources of 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 discussed below.

(a) Estimated useful lives and residual values of property, plant and equipment, technical know-how and trademark

The Group determines the estimated useful lives and related depreciation charges and amortisation charges for the Group's property, plant and equipment, technical know-how and trademark based on the historical experience of the actual useful lives and residual values of property, plant and equipment, technical know-how and trademark of similar nature and functions. The Group will revise the depreciation charges and amortisation charges where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(b) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which these items have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(c) *Impairment of property, plant and equipment*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the Group is required to estimate the asset's recoverable amount. The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

(d) *Impairment of trade and other receivables*

Impairment of trade receivables and other receivables is made based on assessment of their recoverability. The identification of impairment of trade receivables and other receivables requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and impairment loss or reversal of impairment in the period in which such an estimate has been changed.

(e) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to market conditions. Management reassesses these estimates at each reporting date.

(f) *Fair values of buildings*

The Group appointed an independent professional valuer to assess the fair values of the buildings. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgements and are satisfied that the method of valuation is reflective of the current market conditions. Any change in estimates may affect the fair values of buildings significantly.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(g) *Fair value of the liability component of convertible bonds*

A suitable discount rate is determined by the directors in order to calculate the fair value of the liability component of convertible bonds. The directors have exercised their judgements and estimates with reference to the current market conditions. If different discount rate is adopted, the fair value of liability component of convertible bonds will change.

(h) *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details are contained in note 31 to the consolidated financial statements.

(i) *Fair values of share options granted and financial liabilities at fair value through profit or loss*

The Group appointed an independent professional valuer to assess the fair values of the share options granted and financial liabilities at fair value through profit or loss. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgements and are satisfied that the method of valuation is reflective of the current market conditions. Any change in estimates may affect the fair values of the share options granted and financial liabilities at fair value through profit or loss significantly.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk primarily through business transactions, assets and liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the Group's entitles. The currencies giving rise to this risk are primarily HK$ and RMB.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2014 and 2015, the Group did not have significant currency risk exposure as the major recognised financial assets and liabilities denominated in RMB were held by its subsidiaries of which their functional currencies are RMB.

(b) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group has a credit policy in place and exposure to the credit risk is monitored on an ongoing basis.

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The carrying amounts of financial assets as at 31 December 2014 and 2015, which represented the Group's significant exposure to credit risk, are as follows:–

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Trade receivables	**376,578**	20,200
Deposits and other receivables	**3,537**	136,133
Pledged bank deposits	**–**	25,000
Bank balances	**1,686,287**	1,481,439
	2,066,402	1,662,772

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors are due within 30 to 120 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The directors consider that the credit risk from pledged bank deposits and bank balances is minimal as the balances are placed with financial institutions with high credit ratings.

The directors consider that the credit risk from deposits and other receivables is minimal as there are no indications for deterioration of creditworthiness of counter parties and the recoverability are reasonably assured.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The default risk of the industry and country in which customers operate also has an influence on credit risk but to lesser extent. At 31 December 2015, the Group has a certain concentration of credit risk, that 51.30% (2014: 97.60%) and 93.70% (2014: 99.54%) of total trade receivables was due from the largest customer and five largest customers respectively.

The Group did not provide any financial guarantees which would expose the Group to credit risk.

5. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risks by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-adjusted capital ratio.

Maturities of the financial liabilities of the Group as at 31 December 2014 and 2015 were as follows:–

	At 31 December 2015					
	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**1 to 2 years HK$'000**	**2 to 5 years HK$'000**	**Over 5 years HK$'000**
Bank loans, secured	**36,732**	**38,436**	**38,436**	**–**	**–**	**–**
Trade and bills payables	**12,811**	**12,811**	**12,811**	**–**	**–**	**–**
Other payables and accruals	**119,335**	**119,335**	**119,335**	**–**	**–**	**–**
Amount due to a related party	**1,861**	**1,861**	**1,861**	**–**	**–**	**–**
Convertible bonds	**361,324**	**368,533**	**302,981**	**65,552**	**–**	**–**
Debentures	**1,107,734**	**1,422,544**	**188,086**	**521,172**	**156,226**	**557,060**
Promissory notes	**144,564**	**144,844**	**144,844**	**–**	**–**	**–**
	1,784,361	**2,108,364**	**808,354**	**586,724**	**156,226**	**557,060**

	At 31 December 2014					
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000
Bank loans, secured	17,500	18,588	18,588	–	–	–
Trade and bills payables	64,076	64,076	64,076	–	–	–
Other payables and accruals	117,232	117,232	117,232	–	–	–
Amount due to a related party	1,576	1,576	1,576	–	–	–
Amount due to the sole shareholder of the non-controlling interest's shareholder	43,636	43,636	43,636	–	–	–
Convertible bonds	430,190	467,981	289,099	–	178,882	–
Financial liabilities at fair value through profit or loss	240,391	215,953	98,276	94,604	23,073	–
Debentures	460,044	545,718	212,041	130,560	64,299	138,818
	1,374,645	1,474,760	844,524	225,164	266,254	138,818

5. FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk

The following table details the fixed/variable rate financial assets/liabilities in which the Group is exposed to interest rate risk. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates as at 31 December 2014 and 2015:–

	At 31 December 2015		At 31 December 2014	
	Effective interest rate % per annum	**HK$'000**	Effective interest rate % per annum	HK$'000
Fixed rate financial assets				
Other receivable	**N/A**	**–**	1.75%	53,200
Fixed rate financial liabilities				
Debentures	**5.00% – 12.96%**	**(1,107,734)**	5.16% – 9.43%	(460,044)
Consideration payable included in other payables and accruals	**4%**	**(40,265)**	4%	(55,265)
Convertible bonds – liability component	**7.058% – 7.709%**	**(361,324)**	7.058% – 7.709%	(430,190)
Financial liabilities at fair value through profit or loss	**N/A**	**–**	4%	(240,391)
Promissory notes	**10.179%**	**(144,564)**	–	–
Variable rate financial assets				
Bank balances	**0.01% – 0.35%**	**1,686,287**	0.01% – 0.35%	1,481,439
Pledged bank deposits	**N/A**	**–**	0.35%	25,000
Variable rate financial liabilities				
Bank loans, secured	**8.37% – 8.67%**	**(36,732)**	7.00%	(17,500)
		(4,332)		356,249

It is estimated that a general increase of 25 basis points in interest rates, with all other variables held constant, the Group's loss for the year ended 31 December 2015 would be decreased and respective retained profits would be increased by approximately HK$4,124,000 (2014: HK$3,722,000).

5. FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk (continued)

The sensitivity analysis above has been determined based on the exposure to interest rate for both derivatives and non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of financial asset and liability outstanding at the end of reporting period was outstanding for the whole year. 25 basis points increase are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonable possible change in interest rates.

(e) Fair value

The following table presents the fair value of the Group's financial assets and liabilities measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:–

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements as at 31 December 2015 categorised into		
	Fair value at 31 December 2015 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
The Group				
Recurring fair value measurement				
Financial liabilities at fair value through profit or loss	**8,531**	**–**	**–**	**8,531**

5. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value (continued)

	Fair value at 31 December 2014 HK$'000	Fair value measurements as at 31 December 2014 categorised into		
		Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
The Group				
Recurring fair value measurement				
Financial liabilities at fair value through profit or loss	240,391	–	–	240,391

During the years ended 31 December 2014 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair values of the financial liabilities at fair value through profit or loss, which includes convertible notes ("CN") and warrants ("Warrant") as disclosed in note 29, were estimated using binomial option pricing model and the inputs into the model at 31 December 2014 and 2015 were as follows:

	At 31 December 2015		At 31 December 2014	
	CN	**Warrant**	CN	Warrant
Quoted market price	**N/A**	**0.055**	0.074	0.074
Expected volatility	**N/A**	**38.26%**	36.74%	39.22%
Expected life	**N/A**	**3.57 years**	2.08 years	4.57 years
Risk-free interest rate	**N/A**	**0.856%**	0.6%	1.38%
Discount rate	**N/A**	**N/A**	8.34%	N/A
Expected dividend yield	**N/A**	**Nil**	Nil	Nil

5. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value (continued)

Details of key unobservable inputs used in valuing the financial liability at fair value through profit or loss are as follows:–

	Key unobservable inputs	Range	Inter-relationship between key unobservable inputs and fair value measurements
Financial liability at fair value through profit or loss	Expected volatility	38.26% (2014: 36.74% – 39.22%)	The estimated fair value increases when expected volatility increases
	Discount rate	N/A (2014: 8.34%)	The estimated fair value decreases when the discount rate increases

The CN and Warrant were independently valued by BMI Appraisals Limited ("BMI"). BMI and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various valuation assignments involving financial instruments. The professional valuers of BMI involved in this valuation include professional members of the American Institute of Certified Public Accountants ("AICPA") and the Institute of Public Accountants ("MIPA"), as well as charterholders of Chartered Financial Analyst ("CFA") and Financial Risk Manager ("FRM"). They have extensive experiences in valuing different kinds of financial instruments such as share options, forward contracts, financial guarantees and have previously performed valuations of various kinds of convertible bonds and warrants.

In valuing the CN and Warrant, BMI has followed the International Valuation Standards laid down by the International Valuation Standards Council. Further, BMI has assessed and declared its independence based on the requirements of the International Valuation Standards.

Based on the above qualifications and various experiences of BMI and/or its members, the directors are of the view that BMI is independent and competent to determine the fair value of the the CN and Warrant.

The carrying amounts of the Group's financial assets and liabilities carried at other than fair values as reflected in the consolidated statement of financial position approximate their respective fair values.

5. FINANCIAL RISK MANAGEMENT (continued)

(f) Equity price risk

The Group is exposed to market price changes arising from the financial liabilities at fair value through profit or loss of HK$8,531,000 (2014: HK$240,391,000). The Group is required to estimate the fair value of the financial liabilities at fair value through profit or loss at the end of the reporting period with changes in fair value to be recognised in the profit or loss. The fair value adjustment would be affected either positively or negatively, amongst others, by the changes in the Company's share market price. At the end of the reporting period, the Group is exposed to the equity price risk through the change in fair values of the CN and the Warrant.

If the Company's share price at 31 December 2015 had been 5% higher and all other variables were held constant, the Group's carrying amount of the financial liabilities at fair value through profit or loss would increase by approximately HK$1,249,000 (2014: approximately HK$3,006,000). Hence, the Group's loss after tax for the year and accumulated losses would increase by the same amount.

The sensitivity analysis indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise assuming that the changes in the Company's share price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. The analysis is performed on the same basis for 2014.

6. REVENUE

The Group's revenue, which is also the Group's revenue for both continuing and discontinued operations, represents the invoiced value of services rendered and goods sold to external customers less discounts and return, and net of value-added tax. An analysis of the Group's revenue are as follows:–

	Continuing operations		Discontinued operations		Total	
	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000
Provision of fabric processing services	**–**	–	**–**	214,113	**–**	214,113
Sale of fabrics, yarns and blankets	**–**	–	**–**	1,718	**–**	1,718
Sales of raw teas, refined teas and other related products	**822,524**	479,316	**–**	–	**822,524**	479,316
	822,524	479,316	**–**	215,831	**822,524**	695,147

7. OTHER INCOME

	Continuing operations		Discontinued operations		Total	
	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000
Bank interest income	**5,885**	4,860	**–**	1,033	**5,885**	5,893
Government grants	**1,095**	13,480	**–**	735	**1,095**	14,215
Others	**12**	–	**–**	21	**12**	21
	6,992	18,340	**–**	1,789	**6,992**	20,129

8. SEGMENT INFORMATION

The Group has three reportable segments as follows:–

– Provision of fabric processing services and manufacture and sale of fabrics

– Manufacture and sale of yarns and blankets

– Raw teas, refined teas and other related products

8. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. As mentioned in note 38, the Group disposed of its subsidiaries which are principally engaged in provision of fabric processing services and manufacture and sale of fabrics, yarns and blankets on 21 August 2014, thus, these segments are classified as discontinued operations.

Segment profits or losses do not include share of profits of an associate, gain on bargain purchase from business combination, unallocated other income, unallocated corporate expenses, finance costs, change in fair value of financial liabilities at fair value through profit of loss, impairment loss of goodwill, loss on disposal of subsidiaries, surplus/deficit on revaluation of property, plant and equipment and income tax expense. Segment assets do not include pledged bank deposits, cash and bank balances and unallocated corporate assets. Segment liabilities do not include secured bank loans, current tax liabilities, deferred tax liabilities, convertible bonds, financial liabilities at fair value through profit or loss, debentures, promissory notes and unallocated corporate liabilities.

Information about the Group's repportable segments are as belows:

	Discontinued operations						Continuing operations			
	Provision of fabric processing services and manufacture and sale of fabrics		Manufacture and sale of yarns and blankets		Subtotal		Raw teas, refined teas and other related products		Total	
	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000 (restated)	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000 (restated)
REVENUE										
Revenue from external customers	**-**	214,113	**-**	1,718	**-**	215,831	**822,524**	479,316	**822,524**	695,147
Segment (loss)/profit	**-**	(4,053)	**-**	(13,761)	**-**	(17,814)	**157,382**	176,867	**157,382**	159,053
Unallocated other income									**6,992**	20,129
Unallocated corporate expenses									**(39,940)**	(30,906)
Gain on bargain purchase from business combination									**-**	106,681
Impairment loss on goodwill									**(815,013)**	(595,498)
Change in fair value of financial liabilities at fair value through profit or loss									**(17,021)**	(33,391)
Surplus/(deficit) on revaluation of property, plant and equipment									**1,531**	(19,846)
Loss from operations									**(706,069)**	(393,778)
Finance costs									**(115,694)**	(72,742)
Share of losses of an associate									**(2,894)**	(1,913)
Loss on disposal of subsidiaries									**-**	(385,879)
Loss before tax									**(824,657)**	(854,312)
Income tax expense									**(2,949)**	(2,243)
Loss for the year									**(827,606)**	(856,555)

8. SEGMENT INFORMATION (continued)

	Discontinued operations						Continuing operations					
	Provision of fabric processing services and manufacture and sale of fabrics			Manufacture and sale of yarns and blankets			Raw teas, refined teas and other related products			Total		
	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000	At 1 January 2014 HK$'000	**At 31 December 2015 HK$'000**	At 31 December 2014 HK$'000	At 1 January 2014 HK$'000	**At 31 December 2015 HK$'000**	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)	**At 31 December 2015 HK$'000**	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Assets												
Segment assets	**-**	–	785,810	**-**	–	469,787	**3,017,637**	3,314,648	3,181,979	**3,017,637**	3,314,648	4,437,576
Unallocated corporate assets										**1,695,454**	1,652,607	1,081,356
Consolidated total assets										**4,713,091**	4,967,255	5,518,932
Liabilities												
Segment liabilities	**-**	–	229,648	**-**	–	75,796	**101,674**	200,172	120,527	**101,674**	200,172	425,971
Unallocated corporate liabilities										**1,727,961**	1,218,588	934,257
Consolidated total liabilities										**1,829,635**	1,418,760	1,360,228

	Discontinued operations				Continuing operations					
	Provision of fabric processing services and manufacture and sale of fabrics		Manufacture and sale of yarns and blankets		Raw teas, refined teas and other related products		Unallocated		Total	
	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000 (restated)	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000 (restated)
Other segment information:										
Capital expenditure	**-**	12,501	**-**	3,600	**550,249**	208,286	**-**	427	**550,249**	224,814
Depreciation and amortisation	**-**	24,786	**-**	13,267	**45,051**	27,403	**88**	38	**45,139**	65,494
Property, plant and equipment written off	**-**	–	**-**	–	**148**	4,166	**-**	–	**148**	4,166

8. SEGMENT INFORMATION (continued)

Geographical information

Revenue by geographical location is as below:–

	Continuing operations		Discontinued operations		Total	
	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000
The Philippines	**–**	–	**–**	70,630	**–**	70,630
The PRC	**822,524**	479,316	**–**	126,883	**822,524**	606,199
Australia	**–**	–	**–**	1,450	**–**	1,450
The United States of America	**–**	–	**–**	4,269	**–**	4,269
Canada	**–**	–	**–**	1,290	**–**	1,290
Taiwan	**–**	–	**–**	6,178	**–**	6,178
Others	**–**	–	**–**	5,131	**–**	5,131
Consolidated total	**822,524**	479,316	**–**	215,831	**822,524**	695,147

In presenting the geographical information, revenue is based on the locations of the customers. All of the Group's non-current assets are located in the PRC.

Revenue from major customers

During the years ended 31 December 2014 and 2015, the revenue generated from the following customers accounted for over 10% of the Group's total revenue:–

	Continuing operations	
	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Customer A	**193,200**	–
Customer B	**151,000**	–
	344,200	–

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of emoluments of the directors of the Company disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance are as follows:–

For the year ended 31 December 2015

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Equity-settled share-based payments HK$'000	Total emoluments HK$'000
Executive directors						
Mr. Cai Zhenrong	–	330	10	–	114	454
Mr. Cai Zhenyao	–	304	–	–	114	418
Mr. Cai Zhenying	–	304	–	–	114	418
Mr. Cai Yangbo	–	960	–	–	114	1,074
Mr. Choi Wing Toon	–	324	27	1	114	466
	–	2,222	37	1	570	2,830
Non-executive director						
Mr. Lam Kai Yeung (appointed on 19 December 2014 and resigned on 18 May 2015)	–	140	–	5	38	183
	–	140	–	5	38	183
Independent non-executive directors						
Ms. Choy So Yuk, *BBS, JP*	–	120	–	–	114	234
Mr. Lawrence Gonzaga	–	120	–	–	114	234
Mr. Yuen Chun Fai (appointed on 31 July 2014)	–	120	–	–	76	196
	–	360	–	–	304	664
Total	–	2,722	37	6	912	3,677

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

For the year ended 31 December 2014

Name of director	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement benefits scheme contributions	Equity-settled share-based payments	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Mr. Cai Zhenrong	–	330	10	–	54	394
Mr. Cai Zhenyao	–	304	–	–	54	358
Mr. Cai Zhenying	–	304	–	–	36	340
Mr. Cai Yangbo	–	1,170	–	–	54	1,224
Mr. Choi Wing Toon	–	325	25	16	36	402
	–	2,433	35	16	234	2,718
Non-executive director						
Mr. Lam Kai Yeung (appointed on 19 December 2014 and resigned on 18 May 2015)	–	13	–	–	–	13
	–	13	–	–	–	13
Independent non-executive directors						
Ms. Choy So Yuk, *BBS, JP*	120	–	–	–	54	174
Mr. Lawrence Gonzaga	120	–	–	–	36	156
Mr. Wong Chi Hung Stanley (resigned on 31 July 2014)	120	–	–	–	36	156
Mr. Yuen Chun Fai (appointed on 31 July 2014)	–	–	–	–	–	–
	360	–	–	–	126	486
Total	360	2,446	35	16	360	3,217

There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 December 2014 and 2015.

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

The five highest paid individuals in the Group during the year included nil (2014: one) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining five (2014: four) individuals are set out below:–

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**176**	339
Equity-settled share-based payments	**11,581**	4,252
Retirement benefits scheme contributions	**7**	6
	11,764	4,597

The emoluments fell within the following bands:–

	Number of individuals	
	Year ended 31 December 2015	Year ended 31 December 2014
HK$1,000,001 to HK$1,500,000	**–**	4
HK$2,000,001 to HK$2,500,000	**4**	–
HK$2,500,001 to HK$3,000,000	**1**	–
	5	4

During the years ended 31 December 2014 and 2015, no emoluments were paid or payable by the Group to any of the directors or five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

10. FINANCE COSTS – CONTINUING OPERATIONS

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Actual interest on convertible bonds	**14,786**	11,118
Imputed interest on convertible bonds	**15,098**	24,261
Interest on cash consideration payable for business combination	**4,643**	971
Interest on debentures	**47,309**	17,075
Amortisation of issuing costs for debentures	**12,065**	7,379
Interest on financial liabilities at fair value through profit or loss	**1,320**	8,901
Interest on promissory notes	**18,356**	–
Other finance costs	**2,117**	3,037
	115,694	72,742

11. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Total	
	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000 (restated)	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000 (restated)
Current tax – the PRC enterprise income tax – provision for the year	**5,579**	9,283	**–**	735	**5,579**	10,018
Deferred tax (Note 31)	**(2,630)**	(7,775)	**–**	–	**(2,630)**	(7,775)
	2,949	1,508	**–**	735	**2,949**	2,243

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which subsidiaries of the Group are domiciled and operate.

No Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong for the years ended 31 December 2014 and 2015.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gain or appreciation shall apply to the Company or its operations.

11. INCOME TAX EXPENSE (continued)

Pursuant to the International Business Companies Act, 1984 (the "IBC Act") of the British Virgin Islands (the "BVI"), international business companies incorporated pursuant to the IBC Act enjoy a complete exemption from income tax. This includes an exemption from capital gains tax and all forms of withholding tax. Accordingly, the subsidiaries incorporated in the BVI are not subject to tax.

The National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law") on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 6 December 2007, which has been effective since 1 January 2008. According to the New CIT Law, the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1 January 2008. Pursuant to the relevant PRC tax rules and regulations, the Group's income derived from the tea plantation is subject to preferential income tax rates of 0% – 12.5%.

Pursuant to the New CIT Law and its implementation rules, the gross amount of dividends received by the Company's subsidiaries incorporated in Hong Kong and the BVI from its PRC subsidiaries in respect of their profits generated since 1 January 2008 is subject to withholding tax at a rate of 5% and 10% respectively. Under the Caishui (2008) No. 1, the undistributed profits of the PRC subsidiaries as at 31 December 2007 determined based on the relevant PRC tax rules and regulations are exempted from withholding tax. Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

A reconciliation of income tax expense applicable to loss before tax using the applicable rate for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:–

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000 (restated)
Loss before tax		
– Continuing operations	**(824,657)**	(452,396)
– Discontinued operations	**–**	(401,916)
	(824,657)	(854,312)
Tax at the PRC enterprise income tax rate of 25%	**(206,164)**	(213,578)
Tax effect of income that is not taxable	**(793)**	(68,158)
Tax effect of expenses that are not deductible	**252,771**	330,196
Tax effect of preferential tax rates for tea plantation in the PRC	**(42,865)**	(46,217)
Income tax expense	**2,949**	2,243

12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:–

	Continuing operations		Discontinued operations		Total	
	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000 (restated)	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000 (restated)
Amortisation:–						
Technical know-how	**–**	–	**–**	799	**–**	799
Trademark	**8,072**	5,802	**–**	–	**8,072**	5,802
	8,072	5,802	**–**	799	**8,072**	6,601
Auditor's remuneration for:–						
Annual audit	**2,000**	2,000	**–**	–	**2,000**	2,000
Interim review	**900**	900	**–**	–	**900**	900
Others	**163**	143	**–**	–	**163**	143
	3,063	3,043	**–**	–	**3,063**	3,043
Cost of inventories sold	**614,480**	273,628	**–**	7,854	**614,480**	281,482
Depreciation	**37,067**	21,639	**–**	37,254	**37,067**	58,893
Exchange loss, net	**19**	111	**–**	126	**19**	237
Impairment loss on other receivables	**2,158**	–	**–**	–	**2,158**	–
Property, plant and equipment written off	**148**	4,166	**–**	–	**148**	4,166
Operating lease charges on land and buildings	**3,159**	2,584	**–**	46	**3,159**	2,630
Staff costs (excluding directors' remuneration (Note 9)):						
Salaries, bonus and allowances	**16,534**	14,124	**–**	33,475	**16,534**	47,599
Retirement benefits scheme contributions	**1,156**	2,756	**–**	7,026	**1,156**	9,782
Equity-settled share-based payments	**32,046**	13,047	**–**	–	**32,046**	13,047
	49,736	29,927	**–**	40,501	**49,736**	70,428

The cost of inventories sold includes staff costs, depreciation and operating leases charges from continuing and discontinued operations of approximately HK$9,924,000 (2014: HK$42,154,000) which are included in the amounts disclosed separately above.

12. LOSS FOR THE YEAR (continued)

Note:–

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,250 before 1 June 2014 and HK$1,500 on or after 1 June 2014 respectively, per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

13. DIVIDENDS

No dividend has been paid or declared by the Company for the years ended 31 December 2014 and 2015.

14. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following:–

	Continuing operations		Discontinued operations		Total	
	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000 (restated)	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000 (restated)
Loss						
Loss attributable to equity shareholders of the Company for the purpose of calculating basic loss per share	**(826,673)**	(453,590)	**N/A**	(402,651)	**(826,673)**	(856,241)
Number of shares						
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**17,200,666,458**	13,526,827,984	**N/A**	13,526,827,984	**17,200,666,458**	13,526,827,984

Weighted average number of ordinary shares

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Issued ordinary shares at the beginning of the year	**5,100,687,120**	548,471,549
Effect of placing of shares	**–**	4,916,495,851
Effect of exercise of share options	**10,748,599,660**	3,061,104,671
Effects of conversion of financial liabilities at fair value through profit or loss and issue of shares for settlement of interest due under financial liabilities at fair value through profit or loss	**1,351,379,678**	4,405,423,140
Effect of issue of shares for business combination	**–**	595,332,773
Weighted average number of ordinary shares of the year	**17,200,666,458**	13,526,827,984

Diluted loss per share has not been disclosed as the effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2014 and 2015.

15. DISCONTINUED OPERATIONS

The shareholders of the Company passed an ordinary resolution at an extraordinary general meeting on 21 August 2014 to discontinue all the businesses of the provision, of fabric processing services and manufacture and sale of fabric, yarns and blankets.

(a) Loss for the year ended 31 December 2014 for the above discontinued businesses was as follows:–

	Note	HK$'000
Revenue	6	215,831
Cost of sales and services rendered		(193,515)
Gross profit		22,316
Other income	7	1,789
Selling and distribution expenses		(12,043)
Administrative expenses		(27,932)
Other operating expenses		(167)
Operating loss		(16,037)
Loss on disposal of subsidiaries	38	(385,879)
Loss before income tax		(401,916)
Income tax expense	11	(735)
Loss for the year		(402,651)

(b) The net cash flows provided by provision of fabric processing services and manufacture and sales of fabrics, yarns and blankets (after elimination of cash flows with continuing operations) were as follows:–

	HK$'000
Operating activities	74,133
Investing activities	(15,068)
Financing activities	–
Effect of foreign exchange rates charges	(4,068)
	54,997

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Bearer plants HK$'000	Total HK$'000
Cost or valuation							
At 1 January 2014, as restated	192,990	434,588	702,553	22,600	103,328	341,460	1,797,519
Additions	–	–	285	794	108	–	1,187
Additions from business combination (Note 37(c))	–	–	–	–	–	477,500	477,500
Transfer from deposits paid (Note 20)	21,571	50,684	–	78,945	–	–	151,200
Disposal of subsidiaries (Note 38)	(181,669)	(423,963)	(695,233)	(9,958)	(35,957)	–	(1,346,780)
Write-off	–	–	–	(4,670)	–	–	(4,670)
Deficit on revaluation	–	(21,174)	–	–	–	–	(21,174)
Exchange differences	(2,143)	(3,852)	(4,553)	(778)	(821)	(2,710)	(14,857)
At 31 December 2014 and 1 January 2015, as restated	30,749	36,283	3,052	86,933	66,658	816,250	1,039,925
Additions	–	–	235	14	–	–	249
Additions from business combination (Notes 37(a) & (b))	–	–	6,372	4,695	–	–	11,067
Write-off	–	–	–	(3,361)	–	–	(3,361)
Deficit on revaluation	–	(1,471)	–	–	–	–	(1,471)
Exchange differences	(1,230)	(1,451)	(384)	(3,516)	(2,667)	(32,650)	(41,898)
At 31 December 2015	**29,519**	**33,361**	**9,275**	**84,765**	**63,991**	**783,600**	**1,004,511**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Bearer plants HK$'000	Total HK$'000
Accumulated depreciation							
At 1 January 2014, as restated	16,515	–	272,988	9,475	–	5,127	304,105
Charge for the year	2,111	17,921	19,190	3,828	–	15,843	58,893
Disposal of subsidiaries (Note 38)	(17,194)	(16,451)	(290,251)	(8,230)	–	–	(332,126)
Write-off	–	–	–	(504)	–	–	(504)
Write-back on revaluation	–	(1,328)	–	–	–	–	(1,328)
Exchange differences	(592)	(142)	(1,400)	(127)	–	(138)	(2,399)
At 31 December 2014 and 1 January 2015, as restated	840	–	527	4,442	–	20,832	26,641
Charge for the year	784	2,772	1,134	9,491	–	22,886	37,067
Write-off	–	–	–	(3,213)	–	–	(3,213)
Write-back on revaluation	–	(2,683)	–	–	–	–	(2,683)
Exchange differences	(58)	(89)	(58)	(355)	–	(1,573)	(2,133)
At 31 December 2015	**1,566**	**–**	**1,603**	**10,365**	**–**	**42,145**	**55,679**
Accumulated impairment							
At 1 January 2014	–	–	121,524	–	–	–	121,524
Disposal of subsidiaries (Note 38)	–	–	(120,559)	–	–	–	(120,559)
Exchange difference	–	–	(965)	–	–	–	(965)
At 31 December 2014 and 31 December 2015	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net book value							
At 31 December 2015	**27,953**	**33,361**	**7,672**	**74,400**	**63,991**	**741,455**	**948,832**
At 31 December 2014, as restated	29,909	36,283	2,525	82,491	66,658	795,418	1,013,284
At 1 January 2014, as restated	176,475	434,588	308,041	13,125	103,328	336,333	1,371,890

16. PROPERTY, PLANT AND EQUIPMENT (continued)

An analysis of cost or valuation of the above assets is as follows:–

	Leasehold land HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Bearer plants HK$'000	Total HK$'000
At cost	30,749	–	3,052	86,933	66,658	816,250	1,003,642
At valuation	–	36,283	–	–	–	–	36,283
At 31 December 2014, as restated	30,749	36,283	3,052	86,933	66,658	816,250	1,039,925
At cost	29,519	–	9,275	84,765	63,991	783,600	971,150
At valuation	–	33,361	–	–	–	–	33,361
At 31 December 2015	**29,519**	**33,361**	**9,275**	**84,765**	**63,991**	**783,600**	**1,004,511**

At 31 December 2015, the Group's buildings were revalued by BMI, an independent firm of professional valuers, at open market value of approximately HK$33,361,000 (2014: HK$36,283,000). The resulting revaluation deficit of approximately HK$319,000 (2014: HK$Nil) has been debited to the properties revaluation reserve, and the resulting revaluation surplus (2014: deficit) of approximately HK$1,531,000 (2014: HK$19,846,000) has been credited (2014: charged) to profit or loss.

Had the Group's buildings been stated at cost less accumulated depreciation and impairment losses, their carrying amounts as at 31 December 2015 would have been approximately HK$50,443,000 (2014: HK$55,523,000).

There were certain buildings of approximately HK$27,060,000 (2014: HK$29,107,000) for which the Group are in the process of obtaining the relevant building ownership certificates. The directors do not foresee any major obstacles to issuing the certificates of the above-mentioned buildings to the Group.

The Group's leasehold land represent land use rights outside Hong Kong under medium-term leases.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2015, the Group's leasehold land with net book value of approximately HK$27,953,000 (2014: HK$29,909,000) represent payments for land use rights in the PRC.

At 31 December 2015, the Group's leasehold land included certain leasehold land of approximately HK$19,588,000 (2014: HK$20,954,000) for which the Group were in the process of obtaining the relevant land use rights certificates. The directors do not foresee any major obstacles to complete the transfer of the legal title of the above-mentioned land use rights to the Group.

At 31 December 2015, the Group's leasehold land with net book value of HK$8,031,000 (2014: HK$8,631,000) was pledged to banks to secure bank loans of HK$36,732,000 (2014; HK$17,500,000) (Note 25).

(a) Fair value measurement of buildings

(i) Fair value hierarchy

The following table presents the fair value of the Group's buildings in the PRC measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:–

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2015	Fair value measurements as at 31 December 2015 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
The Group				
Recurring fair value measurement				
Buildings in the PRC	**33,361**	**–**	**–**	**33,361**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Fair value measurement of buildings (continued)

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2014 HK$'000	Fair value measurements as at 31 December 2014 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
The Group				
Recurring fair value measurement				
Buildings in the PRC	36,283	–	–	36,283

During the years ended 31 December 2014 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:–

Buildings in the PRC	**At 31 December 2015 HK$'000**	At 31 December 2014 HK$'000
At the beginning of the year	**36,283**	434,588
Transfer from deposits paid	**–**	50,684
Depreciation charge for the year	**(2,772)**	(17,921)
Disposals of subsidiaries	**–**	(407,512)
Surplus/(deficit) on revaluation	**1,212**	(19,846)
Exchange adjustment	**(1,362)**	(3,710)
At the end of the year	**33,361**	36,283

16. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Fair value measurement of buildings (continued)

(i) Fair value hierarchy (continued)

Surplus on revaluation and exchange adjustment of buildings located in the PRC are recognised in other comprehensive income in "properties revaluation reserve" and "translation reserve", respectively.

During the year ended 31 December 2014, properties revaluation reserve of HK$82,279,000 was transferred directly to retained profits upon disposal of subsidiaries.

(ii) Information about Level 3 fair value measurements

All of the Group's buildings in the PRC were revalued as at 31 December 2015. The valuations were carried out by an independent firm of surveyors, BMI, who has among their staff Members of The Hong Kong Institute of Surveyors with relevant experience in the location and category of properties being valued as well as wide experience in valuing different types of properties, including but not limited to, residential, commercial, industrial, retail, agricultural, hotel and developing properties. For all buildings, their current usages are considered as the highest and best use. The Group's management has discussion with the surveyors on the valuation assumptions and valuation results when the valuations are performed at each annual reporting date.

BMI has assessed and declared its independence and competence and has performed its valuation work independently in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

Based on the above qualifications and various experiences of BMI and/or its members, the directors are of the view that BMI is independent and competent to determine the fair value of the Group's buildings in the PRC.

Since there are no active markets for the regions that the Group's buildings in the PRC are located, no market price information is available to adopt the market approach. Accordingly, BMI has adopted depreciated replacement cost approach in valuing the Group's buildings in the PRC.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Fair value measurement of buildings (continued)

(ii) Information about Level 3 fair value measurements (continued)

The following steps have been taken for the site inspections of the Group's buildings in the PRC conducted by BMI:

– Verified the physical existence of the buildings;

– Obtained the Land Use Right Certificates of which the buildings are located;

– Assessed the quality and useful lives of the buildings;

– Evaluated the operation of the Group's business.

The fair values of the buildings located in the PRC are determined by depreciated replacement cost approach. Details of the key unobservable inputs used in valuing the buildings are as follows:–

	Key unobservable inputs	**Range**	**Inter-relationship between key unobservable inputs and fair value measurements**
Buildings	Construction cost per square metre	RMB3,022 to RMB4,258 (2014: RMB3,183 to RMB4,440)	The estimated fair value increases when the construction cost per square metre increases
	Useful lives of buildings	20 years to 50 years (2014: 20 years to 50 years)	The estimated fair value increases when the useful life of the building increases

16. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Bearer plants

Bearer plants represent tea trees in forests located in the PRC, of which the Forestry Right Certificates have been issued to the Group for the purpose of tea plantation. As at 31 December 2015, the Group owned Tea Forest with total cultivable area of 70,912.7 Mu (2014: 70,912.7 Mu). The Group recognises the Tea Forest as a bearer plant when, and only when:–

– The Group controls the Tea Forest as a result of past event, which is evidenced by issuance of Forestry Right Certificate by the relevant PRC authority for the purpose of tea plantation;

– It is probable that future economic benefits associated with the Tea Forest will flow to the Group; and

– The fair value or cost of the Tea Forest can be measured reliably.

According to the Forestry Right Certificates issued by the relevant PRC authority, the Group is granted a right to perform tea plantation and harvest within the cultivable area of 70,912.7 Mu (2014: 70,912.7 Mu) for 30 to 40 years.

At 31 December 2015, certain Tea Forest of approximately HK$126,613,000 (2014: HK$137,207,000, as restated) with total cultivable area of 12,631 Mu (2014:12,631 Mu) was pledged to secure bank loans of HK$36,732,000 (2014: HK$17,500,000) (Note 25).

At 31 December 2015, certain Tea Forest of approximately HK$Nil (2014: HK$49,947,000, as restated) with total cultivable area of 0 Mu (2014: 4,598) was pledged to secure bills payable of HK$Nil (2014: HK$56,250,000).

16. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Bearer plants (continued)

The Group is exposed to a number of risks related to tea trees plantation:–

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the PRC in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks. The directors are not aware of any environmental liabilities as at 31 December 2014 and 2015.

(ii) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of tea leave. When possible the Group manages this risk by controlling its harvest volume, according to market conditions. Management performs regular industry trend analysis to ensure the Group's pricing policy is comparable to the market and the projected harvesting volumes are consistent with the expected demand.

(iii) Climate and other risks

The Group's tea plantation is exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has procedures in place aimed at monitoring and mitigating those risks, including regular Tea Forest inspections and pesticide preventions.

17. AGRICULTURAL PRODUCE

The estimated quantity and fair value less costs to sell of agricultural produce, representing tea leaves before further processing into raw teas, harvested from tea trees from continuing operations during the reporting period since completion of business combinations on 22 July 2013 and 11 September 2014 were as follows:–

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Estimated fair value less costs to sell	**117,519**	133,471
Estimated quantity (kg)	**25,100,496**	28,146,159

The change in fair value of agricultural produce less costs to sell recognised in the consolidated statement of profit or loss represents the difference between the estimated fair value less costs to sell and costs incurred for plantation of tea leaves.

18. INTANGIBLE ASSETS

	Trademark HK$'000	Technical know-how HK$'000	Goodwill HK$'000 (Note)	Total HK$'000
Cost				
At 1 January 2014	41,580	12,600	2,109,380	2,163,560
Disposal of subsidiaries (Note 38)	–	(12,500)	(2,882)	(15,382)
Exchange differences	(330)	(100)	–	(430)
At 31 December 2014 and 1 January 2015	41,250	–	2,106,498	2,147,748
Additions from business combination (Notes 37(a) and (b))	15,875	–	252,013	267,888
Exchange differences	(2,285)	–	–	(2,285)
At 31 December 2015	**54,840**	**–**	**2,358,511**	**2,413,351**
Accumulated amortisation				
At 1 January 2014	2,415	10,773	–	13,188
Charge for the year	5,802	799	–	6,601
Disposal of subsidiaries (Note 38)	–	(11,485)	–	(11,485)
Exchange differences	(64)	(87)	–	(151)
At 31 December 2014 and 1 January 2015	8,153	–	–	8,153
Charge for the year	8,072	–	–	8,072
Exchange differences	(586)	–	–	(586)
At 31 December 2015	**15,639**	**–**	**–**	**15,639**
Accumulated impairment				
At 1 January 2014	–	–	–	–
Impairment loss	–	–	595,498	595,498
At 31 December 2014 and 1 January 2015	–	–	595,498	595,498
Impairment loss	–	–	815,013	815,013
As 31 December 2015	**–**	**–**	**1,410,511**	**1,410,511**
Carrying amount				
At 31 December 2015	**39,201**	**–**	**948,000**	**987,201**
At 31 December 2014	33,097	–	1,511,000	1,544,097

18. INTANGIBLE ASSETS (continued)

Note:–

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. After recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:–

	2015 HK$'000	2014 HK$'000
Raw teas, refined teas and other related products:–		
China Natural Tea Holdings Company Ltd	**910,000**	1,511,000
Greenpost Investments Ltd	**13,000**	–
Goodsign International Ltd	**25,000**	–
	948,000	1,511,000

Raw teas, refined teas and other related products

The recoverable amounts of the CGUs of the above companies are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a ten-year (2014: ten-year) period.

Financial budgets covering a ten-year period is used as the Group's tea business is currently in an expansion stage that the growth rate is increasing in early years and then the growth rate is expected to be reduced gradually. A steady state of the growth rate is reached not until ten years' time.

Cash flows beyond the ten-year (2014: ten-year) period are extrapolated using an estimated long term growth rate of 3% (2014: 3%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using the following discount rates:

	2015	2014
China Natural Tea Holdings Company Ltd	**17.77%**	20.07%
Greenpost Investments Ltd	**22.89%**	N/A
Goodsign International Ltd	**22.49%**	N/A

The discount rate used is pre-tax and reflects the specific risks relating to the relevant segment.

18. INTANGIBLE ASSETS (continued)

Raw teas, refined teas and other related products (continued)

Details of the impairment loss of each of the CGU recognised during the years ended 31 December 2014 and 2015 and the recoverable amounts of the each of the CGU as at 31 December 2014 and 2015 are as follows:

	Impairment loss recognised		**Recoverable amount of the CGU**	
	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000	**At 31 December 2015 HK$'000**	At 31 December 2014 HK$'000
China Natural Tea Holdings Company Ltd	**601,000**	595,498	**1,382,400**	2,127,500
Greenpost Investments Ltd	**112,495**	–	**68,400**	–
Goodsign International Ltd	**101,518**	–	**52,800**	–
	815,013	595,498	**1,503,600**	2,127,500

Any adverse change in the assumptions used in the calculations of recoverable amounts would result in further impairment losses.

19. INTERESTS IN AN ASSOCIATE

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)
Share of net assets of an associate	**92,578**	99,352

On 27 June 2014, the Group's subsidiary, Fujian Anxi Daping Green Food Technology Co., Ltd. ("Fujian Daping"), as a limited partner, entered into the Partnership Agreement with a general partner and another limited partner pursuant to which all the parties agreed to form the partnership, Beijing Mao Yong Daping Investment Center (Limited Partnership) (the "Partnership") in the PRC.

The Partnership shall have an investment term of 3 years. Upon approval by all the partners, the investment term of the Partnership could be extended for 1 year.

The total capital contribution of the Partnership is approximately RMB278,500,000 (equivalent to approximately HK$348,120,000), of which Fujian Daping contributed RMB81,000,000 (equivalent to HK$101,205,000), representing approximately 29.08% of ownership interest in the Partnership. Thus the Group has significant influence on the Partnership.

The Partnership invested in an investment project by acquiring all the equity interest in a PRC company, Huangshan She County Zhongfuxin Tea Limited ("Zhongfuxin Tea"). Zhongfuxin Tea is principally engaged in sales of raw teas, refined teas and other related products, and has the contractual management rights of lands of an area of approximately 30,000 Mu in Anhui Province, the PRC, pursuant to which the Zhongfuxin Tea could operate all the tea trees on such lands and to derive the incomes therefrom.

The Partnership is accounted for as the Group's associate using the equity method in the consolidated financial statements of the Group.

19. INTERESTS IN AN ASSOCIATE (continued)

Summarised financial information of the Partnership, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:–

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)
Gross amounts of the associate		
Current assets	**5,183**	8,903
Non-current assets	**320,537**	340,301
Current liabilities	**(7,413)**	(7,606)
Net assets	**318,307**	341,598

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000 (restated)
Revenue	**–**	–
Loss for the year	**(9,949)**	(6,526)
Other comprehensive loss for the year	**(13,342)**	–
Total comprehensive loss for the year	**(23,291)**	(6,526)

19. INTERESTS IN AN ASSOCIATE (continued)

	2015 HK$'000	2014 HK$'000 (restated)
Reconciliation of the summarised financial information presented to the carrying amounts of the Group's interests in an associate		
Gross amounts of net assets of the associate	**318,307**	341,598
Group's effective interest	**29.08%**	29.08%
Group's share of net assets of the associate	**92,578**	99,352

20. DEPOSITS PAID

	For potential business combination HK$'000 (Notes (a) and (b))	Property, plant and equipment HK$'000	Bearer plants HK$'000 (Note (c))	Total HK$'000
At 1 January 2014	207,900	134,820	67,725	410,445
Additions for the year	157,500	66,127	–	223,627
Transfer to property, plant and equipment (Note 16)	–	(151,200)	–	(151,200)
Disposal of subsidiaries	–	(24,353)	–	(24,353)
Exchange differences	(2,900)	(394)	(537)	(3,831)
At 31 December 2014	362,500	25,000	67,188	454,688
Additions for the year	550,000	–	–	550,000
Transfer upon completion of business combination (Notes 37(a) and (b))	(362,500)	–	–	(362,500)
Refund	–	–	(67,188)	(67,188)
Exchange differences	(22,000)	(1,000)	–	(23,000)
At 31 December 2015	**528,000**	**24,000**	**–**	**552,000**

20. DEPOSITS PAID (continued)

(a) Deposits paid for potential business combination for the year ended 31 December 2015

(i) On 22 May 2015, the Group entered into a non-legally binding memorandum of understanding ("MoU A") with a vendor ("Vendor A"). Pursuant to the MoU A, Vendor A intended to dispose of and the Group intended to acquire 100% of the issued share capital of a company ("Target A"), which after certain reorganisation will own a tea plantation base of approximately 6,500 Mu and certain retail shops in Fujian Province, the PRC. Subject to further negotiation between the Group and Vendor A and the results of the due diligence on Target A and its subsidiaries, the proposed consideration for the potential business combination amounted to RMB350,000,000 (equivalent to approximately HK$420,000,000).

During the year ended 31 December 2015, the Group paid RMB150,000,000 (equivalent to approximately HK$187,500,000) as deposits for such potential business combination.

(ii) On 19 June 2015, the Group entered into a non-legally binding memorandum of understanding ("MoU B") with a vendor ("Vendor B"). Pursuant to the MoU B, Vendor B intended to dispose of and the Group intended to acquire 100% of the issued share capital of a company ("Target B"), which after certain reorganisation will own a sophisticated tea cultural promotion business in Anhui Province, the PRC. Subject to further negotiation between the Group and Vendor B and the results of the due diligence on Target B and its subsidiaries, the proposed consideration for the potential business combination amounted to RMB280,000,000 (equivalent to approximately HK$336,000,000).

During the year ended 31 December 2015, the Group paid RMB90,000,000 (equivalent to approximately HK$112,500,000) as deposits for such potential business combination.

(iii) On 20 June 2015, the Group entered into a non-legally binding memorandum of understanding ("MoU C") with a vendor ("Vendor C"). Pursuant to the MoU C, Vendor C intended to dispose of and the Group intended to acquire 100% of the issued share capital of a company ("Target C"), which after certain reorganisation will own a sophisticated electronic commerce platform in Fujian Province, the PRC. Subject to further negotiation between the Group and Vendor C and the results of the due diligence on Target C and its subsidiaries, the proposed consideration for the potential business combination amounted to RMB160,000,000 (equivalent to approximately HK$192,000,000).

During the year ended 31 December 2015, the Group paid RMB80,000,000 (equivalent to approximately HK$100,000,000) as deposits for such potential business combination.

Owing to the change of the Group's business plans, the Group decided not to proceed the potential business combination. On 16 March 2016, the Group entered into a separate agreement with Vendor C to terminate the MOU C. The Group received full refund of deposits of RMB80,000,000 on the same date.

20. DEPOSITS PAID (continued)

(a) Deposits paid for potential business combination for the year ended 31 December 2015 (continued)

(iv) On 24 June 2015, the Group entered into a non-legally binding memorandum of understanding ("MoU D") with a vendor ("Vendor D"). Pursuant to the MoU D, Vendor D intended to dispose of and the Group intended to acquire 100% of the issued share capital of a company ("Target D"), which after certain reorganisation will own a sophisticated refined tea business in Hubei Province, the PRC. Subject to further negotiation between the Group and Vendor D and the results of the due diligence on Target D and its subsidiaries, the proposed consideration for the potential business combination amounted to RMB300,000,000 (equivalent to approximately HK$360,000,000).

During the year ended 31 December 2015, the Group paid RMB120,000,000 (equivalent to approximately HK$150,000,000) as deposits for such potential business combination.

(b) Deposits paid for potential business combination for the year ended 31 December 2014

(i) On 2 December 2013 and 30 March 2015, the Group entered into a non-legally binding memorandum of understanding ("MoU E") and a conditional sales and purchase agreement ("S&P E") respectively with Mr. Ng Chun Piu ("Vendor E"). Pursuant to the MoU E and S&P E, Vendor E agreed to dispose of and the Group agreed to acquire 100% of the issued share capital of Goodsign International Limited ("Goodsign"). Further to S&P E, Vendor E agreed to dispose of and the Group agreed to acquire an outstanding unsecured and interest-free loan of RMB27,490,000 (equivalent to approximately HK$34,363,000) owed by Goodsign's subsidiary, Fujian Anxi Jinxiang Tea Limited ("Anxi Jinxiang"), to Vendor E. Total consideration in relation to the above acquisition amounted to RMB160,000,000 (equivalent to approximately HK$200,000,000).

After completion of the acquisition, the Group will own certain retail shops in Fujian Province, the PRC.

During the year ended 31 December 2015, the Group completed the acquisition and thus, the deposit of RMB155,000,000 (equivalent to approximately HK$193,750,000) paid in previous year was transferred upon completion of business combination.

20. DEPOSITS PAID (continued)

(b) Deposits paid for potential business combination for the year ended 31 December 2014 (continued)

(ii) On 10 December 2013 and 30 March 2015, the Group entered into a non-legally binding memorandum of understanding ("MoU F") and a conditional sales and purchase agreement ("S&P F") respectively with Mr. Wang Hui Dong ("Vendor F"). Pursuant to the MoU F and S&P F, Vendor F agreed to dispose of and the Group agreed to acquire 100% of the issued share capital of Greenpost Investments Limited ("Greenpost"). Further to S&P F, Vendor F agreed to dispose of and the Group agreed to acquire an outstanding unsecured and interest-free loan of RMB20,740,000 (equivalent to approximately HK$25,925,000) owed by Greenpost's subsidiary, Xiamen Huidian Design Limited ("Xiamen Huidian"), to Vendor F. Total consideration in relation to the above acquisition amounted to RMB140,000,000 (equivalent to approximately HK$175,000,000).

After completion of the acquisition, the Group will own a sophisticated tea packaging business in Fujian Province, the PRC.

During the year ended 31 December 2015, the Group completed the acquisition and thus, the deposit paid of RMB135,000,000 (equivalent to approximately HK$168,750,000) in previous year was transferred upon completion of business combination.

(c) Deposits paid for acquisition of bearer plants

On 28 September 2012, the Group entered into a sales and purchase agreement ("S&P G") with a vendor ("Vendor G"). Pursuant to the S&P G, Vendor G agreed to dispose of and the Group agreed to acquire a tea forest of approximately 25,000 Mu located in Fujian Province, the PRC, at a consideration of RMB107,500,000. As at 31 December 2014, the Group paid RMB53,750,000 (approximately HK$67,188,000) as deposits for such acquisition of bearer plants.

Owing to some administrative difficulties in transferring the Forestry Right Certificate of the bearer plants from Vendor G to the Group, on 27 March 2015, the Group entered into a separate agreement with Vendor G to terminate the S&P G. The Group received full refund of deposits of HK$67,188,000 on the same date.

21. OTHER RECEIVABLES AND PREPAYMENTS

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Prepayments for subcontracting charges for cultivation	**2,014**	2,107

22. INVENTORIES

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Raw materials	**42,866**	18,922
Work in progress	**2,444**	1,430
Finished goods	**6,200**	150,659
	51,510	171,011

23. TRADE RECEIVABLES

The Group normally allows credit terms to well-established customers ranging from 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

An aging analysis of trade receivables as at the end of reporting period, based on the date of recognition of the service income or goods sold, is as follows:–

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
0 – 30 days	**350,672**	–
31 – 60 days	**4,908**	–
61 – 90 days	**6,140**	–
91 – 120 days	**4,918**	6,178
Over 120 days	**9,940**	14,022
	376,578	20,200

23. TRADE RECEIVABLES (continued)

At 31 December 2015, trade receivables of approximately HK$11,954,000 (2014: HK$20,200,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:–

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Nether past due nor impaired	**364,624**	–
Less than 1 month past due	**1,754**	–
1 to 2 months past due	**2,724**	–
2 to 3 months past due	**407**	–
Over 3 months past due	**7,069**	20,200
	376,578	20,200

The carrying amounts of the Group's trade receivables are denominated in RMB.

24. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

At 31 December 2015, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$1,687,897,000 (2014: approximately HK$1,458,600,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

At 31 December 2015, the pledged deposits of the Group amounted to HK$Nil (2014: HK$25,000,000) were pledged to secure bills payable of HK$Nil (2014: HK$56,250,000) (Note 26).

25. BANK LOANS, SECURED

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Secured short-term loans	**36,732**	17,500

Notes:–

(i) The applicable interest rate per annum as at 31 December 2015 was 8.37% to 8.67% (2014: 7%) per annum.

(ii) As at 31 December 2015, the above secured bank loans were secured by land use rights held by the Group of HK$8,031,000 (2014: HK$8,631,000) (Note 16), certain Tea Forest held by the Group of HK$126,613,000 (2014: HK$137,207,000, as restated) (Note 16) with total cultivable area of 12,631 Mu (2014: 12,631 Mu) and guaranteed by the senior management of the Group, Mr. Cai Yanghang (Note 43).

At 31 December 2015, the Group's secured bank loans of HK$36,732,000 (2014: HK$17,500,000) are subject to the fulfillment of the following financial covenant: to maintain a maximum adjusted debt to assets ratio of a subsidiary of the Tea Group of 70%. If the Group was to breach the above covenant, the secured bank loans would become payable on demand. The Group regularly monitors the compliance with this financial covenant.

In the opinion of the directors, none of the financial covenants had been breached as at 31 December 2014 and 2015.

26. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Trade payables	**12,811**	7,826
Bills payables	**–**	56,250
	12,811	64,076
Receipts in advance, other payables and accruals	**122,277**	120,734
Amount due to a related party – Note (i)	**1,861**	1,576
Amount due to the sole shareholder of the non-controlling interest's shareholder – Note (ii)	**–**	43,636
	136,949	230,022

26. TRADE AND BILLS PAYABLES AND OTHER PAYABLES (continued)

Note:

(i) The amount is due to Mr. Cai Yanghang, senior management of the Group, which is unsecured, interest-free and repayable on demand.

(ii) The amount is due to Ms. Hoi Sao U, the sole shareholder of Keen Resources Group Limited ("Keen Resources"), which is a non-controlling shareholder of the Group's non-wholly owned subsidiary. The amount is unsecured, interest-free and repayable on demand.

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

The Group's bills payables are usually due within 180 days.

Aging of trade and bills payables

An aging analysis of the trade and bills payables as at the end of reporting period, based on the date of receipt of consumables or goods purchased, is as follows:–

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
0 – 30 days	**2,180**	6,294
31 – 60 days	**882**	–
61 – 90 days	**4,779**	43,750
Over 90 days	**4,970**	14,032
	12,811	64,076

At 31 December 2015, bills payable of HK$Nil (2014: HK$56,250,000) were secured by the Group's pledged deposits of HK$Nil (2014: HK$25,000,000) (Note 25) and certain Tea Forest of approximately HK$Nil (2014: HK$49,947,000, as restated) with total cultivable area of 4,598 Mu.

27. CONVERTIBLE BONDS

(a) First and Second tranche convertible bonds

On 22 July 2013, the Company issued two tranches of convertible bonds with principal amount of HK$336,820,000 ("First Tranche Bonds") and HK$277,950,000 ("Second Tranche Bonds") respectively, aggregated to HK$614,770,000, for business combination in previous year. The following details the above convertible bonds issued to the bondholders:–

First Tranche Bonds

Name of bondholders	Principal amount HK$'000	Coupon rate (p.a.)	Maturity date	Conversion price per share HK$
Exalt Wealth Limited ("Exalt Wealth")	65,010	0%	21 July 2017	0.1768
Smart Fujian Group Limited ("Smart Fujian")	226,660	0%	21 July 2017	0.1768
Shine Strategy Limited ("Shine Strategy")	45,150	0%	21 July 2017	0.1768
	336,820			

Second Tranche Bonds

Name of bondholders	Principal amount HK$'000	Coupon rate (p.a.)	Maturity date	Conversion price per share HK$
Teya Holdings Limited ("Teya")	131,450	4%	31 December 2015	0.1768
Templeton Strategic Emerging Markets Fund III, LDC ("Templeton")	65,730	4%	31 December 2015	0.1768
Great Vantage International Limited ("Great Vantage")	54,950	4%	31 December 2015	0.1768
Ample Gold International Limited ("Ample Gold")	25,820	4%	31 December 2015	0.1768
	277,950			

27. CONVERTIBLE BONDS (continued)

(a) First and Second tranche convertible bonds (continued)

The First and Second Tranche Bonds can be converted into ordinary shares at any time after the date of issue. The conversion price of HK$0.1768 is subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalisation issues and rights issues. Details of the convertible bonds are set out in the circular of the Company dated 28 June 2013.

The following table details the exercise of conversion rights attaching to the First Tranche Bonds during the years ended 31 December 2014 and 2015:–

Date of conversion	Principal amount converted HK$'000	No. of shares allotted and converted
First Tranche Bonds		
28 July 2014	65,010	367,703,620
8 August 2014	47,778	270,237,420
25 September 2014	45,150	255,373,303
1 June 2015	113,330	641,006,787
	271,268	1,534,321,130

(b) Liability and equity components of convertible bonds

The principal amounts of the convertible bonds have been split into the liability component and equity component and the movements are as follows:–

Liability component

	First Tranche Bonds HK$'000	Second Tranche Bonds HK$'000	Total Bonds HK$'000
At 1 January 2014	257,358	267,793	525,151
Imputed interest	16,961	7,300	24,261
Actual interest	–	11,118	11,118
Interest paid	–	(3,513)	(3,513)
Conversion of convertible bonds	(126,827)	–	(126,827)
At 31 December 2014 and 1 January 2015	147,492	282,698	430,190
Imputed interest	7,260	7,838	15,098
Actual interest	–	14,786	14,786
Interest paid	–	(2,341)	(2,341)
Conversion of convertible bonds	(96,409)	–	(96,409)
At 31 December 2015	**58,343**	**302,981**	**361,324**

27. CONVERTIBLE BONDS (continued)

(b) Liability and equity components of convertible bonds (continued)

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Analysed as:		
Current liabilities	**302,981**	282,698
Non-current liabilities	**58,343**	147,492
	361,324	430,190

Equity component

	First Tranche Bonds HK$'000	Second Tranche Bonds HK$'000	Total Bonds HK$'000
At 1 January 2014	155,178	123,721	278,899
Conversion of convertible bonds	(72,764)	–	(72,764)
At 31 December 2014 and 1 January 2015	82,414	123,721	206,135
Conversion of convertible bonds	(52,213)	–	(52,213)
At 31 December 2015	**30,201**	**123,721**	**153,922**

The interest charged of First Tranche Bonds for the year is calculated by applying an effective interest rate of 7.709% per annum to the liability component.

The interest charged of Second Tranche Bonds for the year is calculated by applying an effective interest rate of 7.058% per annum to the liability component.

28. DEBENTURES

At 31 December 2015, the Company issued unlisted debentures of approximately HK$1,147,534,000 (2014: HK$473,000,000) to independent third parties at face value with issuing costs of approximately HK$57,278,000 (2014: HK$24,200,000).

Details of debentures issued and outstanding as at 31 December 2014 and 2015 are as follows:

At 31 December 2015

Tranche	Principal amount HK$'000	Issuing cost HK$'000	Duration (years)	Coupon interest rate per annum	Effective interest rate per annum	Carrying amount HK$'000
1	7,000	420	2	6%	9.43%	6,986
2	45,000	2,600	8	5%	5.80-5.96%	42,828
3	50,000	2,900	4	6%	7.49-7.80%	48,049
4	100,000	5,400	2	5.5%	5.50-8.84%	98,148
5	10,000	100	8	5%	5.16%	9,916
6	28,000	1,200	8	6%	6.00-7.01%	26,932
7	20,000	–	8	6%	6.00%	20,000
8	10,000	600	2	6%	9.43%	9,702
9	41,000	–	2-8	5-6%	5.00-6.00%	41,000
10	95,500	1,850	2-8	6-8%	6.00-9.43%	97,536
11	216,600	7,386	2-8	6-8%	6.00-9.81%	210,122
12	192,400	500	2-8	4.5-7%	5.74-7.00%	193,908
13	35,000	5,150	8	5%	7.35-7.53%	30,114
14	294,034	29,172	2	7-8%	12.65-12.96%	269,493
15	3,000	–	2	6-8%	6.00-8.00%	3,000
	1,147,534	57,278				1,107,734

28. DEBENTURES (continued)

At 31 December 2014

Tranche	Principal amount HK$'000	Issuing cost HK$'000	Duration (years)	Coupon interest rate per annum	Effective interest rate per annum	Carrying amount HK$'000
1	200,000	11,400	2	6%	6.00-9.43%	198,226
2	45,000	2,600	8	5%	5.80-5.96%	42,772
3	50,000	2,900	4	6%	7.49-7.80%	47,421
4	100,000	5,400	2	5.5%	5.50-8.84%	95,500
5	10,000	100	8	5%	5.16%	9,906
6	28,000	1,200	8	6%	6.00-7.01%	26,819
7	20,000	–	8	6%	6.00%	20,000
8	10,000	600	2	6%	9.43%	9,400
9	10,000	–	8	6%	6.00%	10,000
	473,000	24,200				460,044

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Analysed as:		
Current liabilities	**83,336**	191,461
Non-current liabilities	**1,024,398**	268,583
	1,107,734	460,044

The debentures were initially recognised at their principal amounts less issuing costs and subsequently measured at amortised cost using the effective interest method.

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On 28 January 2014, the Company issued 3-year 4% per annum CN with principal amount of HK$253,000,000 together with the Warrant to Asia Equity Value LTD (the "Holder").

The CN can be converted into ordinary shares at any time after the date of issue at HK$0.21 per share. The conversion price of HK$0.21 is subject to anti-dilution adjustment for stock dividends, stock splits, dilutive securities issuances and other customary adjustment events from time to time in accordance with the terms and conditions of the CN.

Starting from the six-month from the date of issue of the CN, the Company shall redeem the outstanding principal amount of the CN, per quarterly basis, at an amount of equal to 100% of the principal amount of HK$23,000,000 each time, up to the third anniversary of the date of issue of the CN.

The Warrant can be exercised at any time after six months from the date of issue to subscribe up to a total of 506,000,000 shares at exercise price of HK$0.26 per share, which is subject to anti-dilution adjustment for stock dividends, stock splits, dilutive securities issuances and other customary adjustment events from time to time in accordance with the terms and conditions of the Warrant. The Warrant will expire on 28 July 2019.

On 11 September 2014, the Company issued 2,160,000,000 consideration shares (the "Consideration Shares") at issue price of HK$0.15 per share for business combination (Note 37(c)). As a result of the issue of such Consideration Shares, on 11 September 2014, the following adjustments on CN were made:

– Pursuant to section 7(d)(10) of the terms and conditions of the CN, the conversation price was adjusted from HK$0.21 to HK$0.15 per conversion share; and

– Pursuant to section 4A(9) of the terms and conditions of the Warrant, the exercise price was adjusted from HK$0.26 to HK$0.15 per warrant share.

The CN and Warrant are designated as financial liabilities at fair value through profit or loss upon initial recognition and subsequently measured at fair value at the end of each reporting period with changes in fair value recognised in profit or loss.

At 31 December 2014, the outstanding principal amount of the CN was HK$207,000,000.

During the year, the Company redeemed HK$46,000,000 of CN at face value.

On 28 January 2015, pursuant to paragraph 7(a)(iii) of the terms and conditions of the CN, the conversion price of the CN was adjusted from HK$0.15 to HK$0.08 per conversion share.

On 25 February 2015, the Company has entered into a repurchase agreement with the CN Holder, pursuant to which the Company has agreed to the repurchase of the CN in an aggregate principal amount of HK$137,000,000 for a total consideration of HK$164,400,000, being an amount equal to 120% of the face value of the CN. The consideration was satisfied by issue of promissory notes as disclosed in Note 30.

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

On 30 April 2015, pursuant to section 4A(9) of the terms and conditions of the Warrant, the exercise price was adjusted from HK$0.15 to HK$0.099 per warrant share as a result of grant of share options by the Company on the same date.

During the year ended 31 December 2015, the Holder converted the remaining HK$70,000,000 of the CN into shares at conversion price of HK$0.08 per share, resulting the Company to issue 875,000,000 ordinary shares.

During the repurchase of the CN, the Company issued 35,767,776 ordinary shares at a price of HK$0.08 per ordinary share to the Holder for settlement of part of the interest accrued on the CN.

The movements of the CN and Warrant (balance of level 3 fair value measurement) during the year are set out below:–

	CN HK$'000	**Warrant** HK$'000	**Total** HK$'000
Issued during the year	222,736	30,264	253,000
Redemption during the year	(46,000)	–	(46,000)
Fair value loss/(gain) during the year	54,604	(21,213)	33,391
At 31 December 2014 and 1 January 2015	231,340	9,051	240,391
Repurchase of CN during the year by issue of promissory notes	(164,266)	–	(164,266)
Conversion during the year	(84,615)	–	(84,615)
Fair value loss/(gain) during the year	17,541	(520)	17,021
At 31 December 2015	–	8,531	8,531

	At 31 December 2015	At 31 December 2014
Analysed as:–		
Current liabilities	**8,531**	130,323
Non-current liabilities	**–**	110,068
	8,531	240,391

30. PROMISSORY NOTES

On 25 February 2015, the Company has entered into a repurchase agreement (the "Repurchase Agreement") with the Holder, pursuant to which the Company has agreed to the repurchase of the CN in an aggregate principal amount of HK$137,000,000 for a total consideration of HK$164,400,000, being an amount equal to 120% of the face value of the CN.

Pursuant to the Repurchase Agreement, the consideration was satisfied by issue of promissory notes as detailed below:

– HK$23,000,000 payable on 27 February 2015;

– HK$35,350,000 payable on 28 April 2015;

– HK$35,350,000 payable on 28 July 2015;

– HK$35,350,000 payable on 28 October 2015; and

– HK$35,350,000 payable on 28 January 2016.

Interest shall accrue on the balance of the consideration outstanding from time to time at a rate of ten per cent (10%) per annum for the period from 27 February 2015 to and including the date of payment of the consideration in full, calculated on a basis of a year of 360 days and actual days elapsed and shall be payable on each date specified above for the payment of each of the instalment.

The promissory notes were initially recognised at its fair value at the date of issue and subsequently measured at amortised cost using the effective interest method plus accrued interest payable.

The movements of the promissory notes during the year ended 31 December 2015 are as follows:

	HK$'000
Issue of promissory notes	164,266
Interest on promissory notes	18,356
Principal paid	(38,000)
Interest paid	(58)
At 31 December 2015	**144,564**

30. PROMISSORY NOTES (continued)

The fair value of the promissory notes at initial recognition were independently valued by BMI Appraisals Limited ("BMI"). BMI and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various valuation assignments involving financial instruments. The professional valuers of BMI involved in this valuation include professional members of the Royal Institution of Chartered Surveyors, the American Institute of Certified Public Accountants and the Institute of Public Accountants, as well as charterholders of Chartered Financial Analyst and Financial Risk Manager. They have extensive experiences in valuing different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets worldwide and have previously performed valuations of various kinds of bonds and warrants.

Among the professional institutions mentioned above, the Royal Institution of Chartered Surveyors is a member organisation of the International Valuation Standards Council (the "IVSC") which encourages their respective members to adopt and use the International Valuation Standards laid down by the IVSC. BMI has assessed and declared its independence based on the requirements of the International Valuation Standards.

Based on the above qualifications and various experiences of BMI and/or its members, the directors are of the view that BMI is independent and competent to determine the fair value of the promissory notes.

The following table presents the fair value of the promissory notes measured at initial recognition, categorised into the three-level fair value hierarchy as defined in IFRS 13, "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:–

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The fair value of the promissory note on initial recognition falls into Level 3 of the fair value hierarchy, and was measured using the discounted cash flow method, taking into account of the risk-free rate, credit spread and the illiquidity spread. The key unobservable input used for the valuation is the discount rate of 10.284%. The estimated fair value of the promissory notes decreases when the illiquidity spread increases.

31. DEFERRED TAX LIABILITIES

(a) An analysis of deferred tax in the consolidated statement of financial position is as follows:–

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)	At 1 January 2014 HK$'000 (restated)
Deferred tax assets	**4,616**	5,042	738
Deferred tax liabilities	**(16,286)**	(18,762)	(48,130)
	(11,670)	(13,720)	(47,392)

(b) The following are the major deferred tax liabilities/(assets) recognised by the Group:

	Fair value change of bearer plants HK$'000	Decelerated/ (accelerated) tax allowance HK$'000	Revaluating of buildings HK$'000	Others HK$'000	Total HK$'000
At 1 January 2014, as restated	7,770	9,008	31,352	(738)	47,392
Additions from business combination (Note 37(c))	5,455	–	–	–	5,455
(Credit)/charge to profit or loss for the year (Note 11)	–	(3,697)	(4,962)	884	(7,775)
Disposal of subsidiaries (Note 38)	–	–	(30,885)	–	(30,885)
Exchange differences	(62)	(47)	(358)	–	(467)
At 31 December 2014 and 1 January 2015, as restated	13,163	5,264	(4,853)	146	13,720
Additions from business combination (Notes 37(a) & (b))	–	3,090	–	(1,932)	1,158
Credit to other comprehensive loss for the year	–	–	(80)	–	(80)
(Credit)/charge to profit or loss for the year (Note 11)	–	(3,798)	383	785	(2,630)
Exchange differences	(527)	(212)	195	46	(498)
At 31 December 2015	**12,636**	**4,344**	**(4,355)**	**(955)**	**11,670**

(c) At the end of reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is HK$1,458,524,000 (2014: HK$1,264,521,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. SHARE CAPITAL AND CAPITAL MANAGEMENT

	At 31 December 2015		At 31 December 2014	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**80,000,000,000**	**800,000**	80,000,000,000	800,000

	Year ended 31 December 2015		Year ended 31 December 2014	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Ordinary shares, issued and fully paid:				
At the beginning of year	**15,777,549,141**	**157,775**	11,776,006,798	117,760
Issue of shares for business combination (Note 37(c))	**–**	**–**	2,160,000,000	21,600
Conversion of convertible bonds (Note 27)	**641,006,787**	**6,410**	893,314,343	8,933
Conversion of financial liabilities at fair value through profit or loss (Note 29)	**875,000,000**	**8,750**	–	–
Issue of shares for settlement of interest due under financial liabilities at fair value through profit or loss	**35,767,776**	**358**	–	–
Placing of shares	**–**	**–**	600,000,000	6,000
Shares issued on exercise of share options granted during the year	**805,000,000**	**8,050**	348,228,000	3,482
At the end of year	**18,134,323,704**	**181,343**	15,777,549,141	157,775

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained profits and other reserves).

It is the Group's strategy to keep the net debt-to-adjusted capital ratio as low as feasible. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The only externally imposed capital requirement is that for the Company to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

33. SHARE-BASED PAYMENTS

Equity-settled share option schemes

On 24 February 2012, the Company has passed the resolutions in a shareholders' meeting for the termination of the share option scheme adopted on 30 August 2002 and the adoption of an new share option scheme (the "Scheme"). Outstanding share options granted under the Terminated Scheme prior to such termination shall continue to be valid and, subject to the vesting schedule, exercisable in accordance with the Terminated Scheme.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the Company's directors (including independent non-executive directors), employees of the Group, suppliers of goods or services, customers, persons or entities providing research, development or other technological support to the Group, and any non-controlling shareholders in the Company's subsidiaries. The Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

33. SHARE-BASED PAYMENTS (continued)

Equity-settled share option schemes (continued)

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares on the date of the offer of the grant.

Details of the options granted are as follows:–

Options granted to directors

			Number of options		
Date of grant	Vesting date	Exercise period	At 31 December 2015	At 31 December 2014	Exercise price HK$
1 March 2010	1 March 2010	1 March 2010 to 28 February 2015	**–**	27,640,000	0.520
4 April 2011	4 April 2011	4 April 2011 to 3 April 2016	**–**	–	0.400
24 October 2013	24 October 2013	24 October 2013 to 23 October 2018	**15,000,000**	15,000,000	0.2538
20 May 2014	20 May 2014	20 May 2014 to 19 May 2019	**8,000,000**	8,000,000	0.1036
30 April 2015	30 April 2015	30 April 2015 to 29 April 2020	**21,000,000**	–	0.099
			44,000,000	50,640,000	

If the options remain unexercised after an exercise period from the date of grant, the options expire.

33. SHARE-BASED PAYMENTS (continued)

Options granted to employees and other participants

Date of grant	Vesting date	Exercise period	Number of options At 31 December 2015	Number of options At 31 December 2014	Exercise price HK$
1 March 2010	1 March 2010	1 March 2010 to 28 February 2015	**–**	66,100,000	0.520
4 April 2011	4 April 2011	4 April 2011 to 3 April 2016	**143,400,000**	143,400,000	0.400
24 October 2013	24 October 2013	24 October 2013 to 23 October 2018	**1,159,000,000**	1,159,000,000	0.2538
20 May 2014	20 May 2014	20 May 2014 to 19 May 2019	**12,316,000**	12,316,000	0.1036
30 April 2015	30 April 2015	30 April 2015 to 29 April 2020	**42,000,000**	–	0.099
			1,356,716,000	1,380,816,000	

33. SHARE-BASED PAYMENTS (continued)

Equity-settled share option schemes (continued)

Details of the share options outstanding during the year are as follows:–

	Year ended 31 December 2015		Year ended 31 December 2014	
	Number of share options	**Weighted Average Exercise price HK$**	Number of share options	Weighted Average Exercise price HK$
Outstanding at the beginning of the year	**1,431,456,000**	**0.2837**	1,536,060,000	0.2838
Granted during the year	**868,000,000**	**0.099**	369,544,000	0.1036
Exercised during the year	**(805,000,000)**	**0.099**	(348,228,000)	0.1036
Lapsed during the year	**(93,740,000)**	**0.52**	(125,920,000)	0.2538
Outstanding at the end of the year	**1,400,716,000**	**0.2581**	1,431,456,000	0.2837
Exercisable at the end of the year	**1,400,716,000**	**0.2581**	1,431,456,000	0.2837

The weighted average share price of 805,000,000 (2014: 348,228,000) share options exercised at the date of exercise was HK$0.1082 (2014: HK$0.1264) per share.

At 31 December 2015, the options outstanding have a weighted average remaining contractual life of 2.63 years (2014: 3.33 years) and the exercise prices range from HK$0.099 to HK$0.40 (2014: HK$0.1036 to HK$0.52). The estimated fair value of the options granted on 20 May 2014 and 30 April 2015 are approximately HK$13,407,000 ("Option 2014") and HK$32,958,000 ("Option 2015") respectively.

33. SHARE-BASED PAYMENTS (continued)

Equity-settled share option schemes (continued)

For Option 2014 and Option 2015, the fair value was calculated by BMI using the Binomial Model. The inputs into the model were as follows:–

	Option 2015
Fair value at measurement date	**HK$32,958,000**
Weighted average share price	**0.099**
Weighted average exercise price	**0.099**
Expected volatility	**46.18%**
Expected life	**5 years**
Risk fee rate	**1.05%**
Expected dividend yield	**Nil**

	Option 2014
Fair value at measurement date	HK$13,407,000
Weighted average share price	HK$0.1030
Weighted average exercise price	HK$0.1036
Expected volatility	40.67%
Expected life	5 years
Risk fee rate	1.20%
Expected dividend yield	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 5 years for Option 2014 and Option 2015. Change in inputs and assumptions would materially affect the fair value estimate.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Investments in subsidiaries	**382,035**	351,052
Due from subsidiaries (note)	**3,883,345**	3,940,131
Other current assets	**2,535**	134
Convertible bonds	**(361,324)**	(430,190)
Financial liabilities of fair value through profit or loss	**(8,531)**	(240,391)
Promissory notes	**(144,564)**	–
Debentures	**(1,107,734)**	(460,044)
Other current liabilities	**(38,140)**	(27,752)
NET ASSETS	**2,607,622**	3,132,940
Capital and reserves		
Share capital	**181,343**	157,775
Reserves	**2,426,279**	2,975,165
TOTAL EQUITY	**2,607,622**	3,132,940

Note:–

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

35. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of changes in equity.

35. RESERVES (continued)

(b) Company

	Share premium HK$'000 (Note 35(b)(i))	Share-based payment reserve HK$'000 (Note 35(b)(iii))	Convertible bonds reserve HK$'000 (Note 27)	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2014	3,046,594	138,011	278,899	14,615	3,478,119
Total comprehensive loss for the year	–	–	–	(987,009)	(987,009)
Placing of shares	102,000	–	–	–	102,000
Issue of shares for business combination (Note 37(c))	218,160	–	–	–	218,160
Conversion of convertible bonds (Note 27(b))	190,658	–	(72,764)	–	117,894
Lapsed of share options granted in prior years	–	(11,220)	–	11,220	–
Equity-settled share-based transactions	–	13,407	–	–	13,407
Exercise of share options granted during the year	45,228	(12,634)	–	–	32,594
At 31 December 2014 and 1 January 2015	3,602,640	127,564	206,135	(961,174)	2,975,165
Total comprehensive loss for the year	–	–	–	(821,807)	(821,807)
Conversion of convertible bonds (Note 27(b))	142,212	–	(52,213)	–	89,999
Lapsed of share options granted in prior years	–	(15,331)	–	15,331	–
Equity-settled share-based transactions	–	32,958	–	–	32,958
Exercise of share options granted during the year	102,628	(30,983)	–	–	71,645
Conversion of financial liabilities at fair value through profit or loss	75,865	–	–	–	75,865
Issue of shares for settlement of interest due under financial liabilities at fair value through profit or loss	2,504	–	–	–	2,504
At 31 December 2015	**3,925,849**	**114,208**	**153,922**	**(1,767,700)**	**2,426,279**

35. RESERVES (continued)

(c) Nature and purpose of reserves

(i) Share premium

The share premium account of the Company includes: (i) the premium arising from the new issue of shares; and (ii) the difference between the then combined net asset value of the subsidiaries acquired pursuant to the Group Reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

(ii) Properties revaluation reserve

The properties revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for buildings in note 3(e) to the consolidated financial statements.

(iii) Share-based payment reserve

The share-based payment reserve of the Company and the Group arise on the grant of share options to the directors, employees and other business associates under the Schemes. Further information about share-based payments to the directors, employees and other business associates was set out in note 33 to the consolidated financial statements. The fair value of the actual or estimated number of unexercised share options granted to the directors and employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 3(r) to the consolidated financial statements.

(iv) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(d) to the consolidated financial statements.

36. PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and operation	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Directly held				
Treasure Wealth Assets Limited	BVI	600 ordinary shares of US$1 each	100%	Investment holding
Wide Lucky Asia Pacific Limited	BVI	600 ordinary shares of US$1 each	100%	Investment holding
Indirectly held				
Powerful China Development Limited	Hong Kong	100 ordinary shares	100%	Provision of administrative services to group companies
Fujian Daping	PRC	Registered capital and paid-up capital of RMB1,200,000	100%	Sales of raw teas in the PRC
Fujian Nature Tea Science and Technology Co., Ltd	PRC	Registered capital and paid-up capital of HK$193,663,000	100%	Sales of refined teas and/or other related products in the PRC
Quanzhou Pingshan Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB1,000,000	100%	Sales of refined teas and/or other related products in the PRC
Xiamen Pingshan Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB1,000,000	100%	Sales of refined teas and/or other related products in the PRC
Fujian Huidian Packing Co., Ltd	PRC	Registered capital and paid-up capital of RMB5,000,000	100%	Sales of refined teas and/or other related products in the PRC
Liaoning Pingshan Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB5,000,000	100%	Sales of refined teas and/or other related products in the PRC
Shaanxi Pingshan Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB5,000,000	100%	Sales of refined teas and/or other related products in the PRC

36. PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Chongqing Shengfang Tea Co., Ltd	PRC	Registered capital and paid-up capital of RMB5,000,000	100%	Sales of refined teas and/or other related products in the PRC
Anhui Ji Gong Tea Limited	PRC	Registered capital and paid-up capital of RMB3,000,000	90%	Sales of raw teas, refined teas and/or other related products in the PRC
Xiamen Huidian	PRC	Registered capital and paid-up capital of RMB5,000,000	100%	Sales of refined teas and/or other related products in the PRC
Anxi Jinxiang	PRC	Registered capital and paid-up capital of RMB5,700,000	100%	Sales of refined teas and/or other related products in the PRC

The above list contains the particulars of subsidiaries, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

37. BUSINESS COMBINATION

(a) Acquisition of Huidian Design Group

On 1 April 2015, the Group completed the acquisition of 100% equity interest in Greenpost Investments Limited and its subsidiaries (collectively referred to as the "Huidian Design Group") from Mr. Wang Hui Dong ("Mr. Wang") and 100% of the HK$25,925,000 outstanding unsecured and interest-free loan to be owed by the Huidian Design Group (the "HD Loan") to Mr. Wang, at a cash consideration of HK$175,000,000.

Huidian Design Group is engaged in the packaging of tea and production of tea sets.

The directors believe that through the acquisition of the Huidian Design Group, it offers business opportunities of the Group in enhancing brands and developing market channels that would further enhance the Group's income and strengthen the Group's market position.

37. BUSINESS COMBINATION (continued)

(a) Acquisition of Huidian Design Group (continued)

The fair value of net identifiable assets acquired and liabilities assumed in the above acquisition were as follows:

	Notes	HK$'000
Net identifiable assets acquired and liabilities assumed:–		
Property, plant and equipment	16	4,525
Intangible assets	18	8,750
Deferred tax assets	31	534
Inventories		21,629
Trade and other receivables		13,244
Cash and bank balances		4,049
Trade and other payables		(3,226)
HD Loan		(25,925)
Total net identifiable assets acquired and liabilities assumed		23,580
Goodwill on acquisition of interest in subsidiaries	18	125,495
		149,075
Consideration for acquisition of subsidiaries satisfied by:–		
Cash consideration		
– paid in previous years (Note 20(b)(ii))		168,750
– paid in current year		6,250
		175,000
Less: HD Loan		(25,925)
Consideration for acquisition of subsidiaries		149,075
Net cash outflow arising from business combination:–		
Cash consideration paid in current period		(6,250)
Cash and bank balances acquired		4,049
		(2,201)

37. BUSINESS COMBINATION (continued)

(a) Acquisition of Huidian Design Group (continued)

The goodwill of HK$125,495,000 arises from a number of factors. Most significant amongst these is the premium attributable to a pre-existing, well positioned business operating in a competitive market. Other important elements included expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill is deductible for income tax purpose. Acquisition related cost is immaterial.

The Huidian Design Group contributed net profit of approximately HK$3,618,000 and revenue of HK$17,917,000 to the Group's loss and revenue for the year ended 31 December 2015 respectively for the period between the date of acquisition and the end of the reporting period.

Had the acquisition been completed on 1 January 2015, the Group's loss and revenue for the year ended 31 December 2015 would be approximately HK$828,343,000 and HK$822,524,000 respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that would actually have been impacted had the acquisition been completed on 1 January 2015, nor was it intended to be a projection of future results.

(b) Acquisition of Jinxiang Tea Group

On 1 April 2015, the Group completed the acquisition of 100% equity interest in Goodsign International Limited and its subsidiaries (collectively referred to as the "Jinxiang Tea Group") from Mr. Ng Chun Piu ("Mr. Ng") and 100% of the HK$34,363,000 outstanding unsecured and interest-free loan to be owed by the Jinxiang Tea Group (the "JX Loan") to Mr. Ng, at a cash consideration of HK$200,000,000.

Jinxiang Tea Group is principally engaged in the cultivation of tea plants, production and sale of tea products.

The directors believe that through the acquisition of the Jinxiang Tea Group, it offers business opportunities of the Group in enhancing brands and developing market channels that would further enhance the Group's income and strengthen the Group's market position.

37. BUSINESS COMBINATION (continued)

(b) Acquisition of Jinxiang Tea Group (continued)

The fair value of net identifiable assets acquired and liabilities assumed in the above acquisition were as follows:

	Notes	HK$'000
Net identifiable assets acquired and liabilities assumed:–		
Property, plant and equipment	16	6,542
Intangible assets	18	7,125
Inventories		3,201
Trade and other receivables		68,536
Cash and bank balances		808
Trade and other payables		(11,038)
JX Loan		(34,363)
Deferred tax liabilities	31	(1,692)
Total net identifiable assets acquired and liabilities assumed		39,119
Goodwill on acquisition of interest in subsidiaries	18	126,518
		165,637
Consideration for acquisition of subsidiaries satisfied by:–		
Cash consideration		
– paid in previous years (Note 20(b)(i))		193,750
– paid in current year		6,250
		200,000
Less: JX Loan		(34,363)
Consideration for acquisition of subsidiaries		165,637
Net cash outflow arising from business combination:–		
Cash consideration paid in current period		(6,250)
Cash and bank balances acquired		808
		(5,442)

37. BUSINESS COMBINATION (continued)

(b) Acquisition of Jinxiang Tea Group (continued)

The goodwill of HK$126,518,000 arises from a number of factors. Most significant amongst these is the premium attributable to a pre-existing, well positioned business operating in a competitive market. Other important elements included expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill is the deductible for income tax purpose. Acquisition related cost is immaterial.

The Jinxiang Tea Group contributed net profit of approximately HK$2,561,000 and revenue of HK$16,193,000 to the Group's loss and revenue for the year ended 31 December 2015 respectively for the period between the date of acquisition and the end of the reporting period.

Had the acquisition been completed on 1 January 2015, the Group's loss and revenue for the year ended 31 December 2015 would be approximately HK$827,924,000 and HK$822,524,000 respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that would actually have been impacted had the acquisition been completed on 1 January 2015, nor was it intended to be a projection of future results.

(c) Acquisition of Anhui Tea Group

On 11 September 2014, the Group completed the acquisition of 90% equity interest in Ever Reliance Asia Limited and its subsidiaries (collectively referred to as the "Anhui Tea Group") from Keen Resources and 90% of the HK$436,360,000 outstanding unsecured and interest-free loan to be owed by the Anhui Tea Group (the "NCI Loan") as mentioned in note 26(ii) to Ms. Hoi Sao U, the sole shareholder of Keen Resources, at a total consideration of HK$405,000,000. The consideration is satisfied by:–

– Cash consideration of HK$81,000,000; and

– Allotment and issue of 2,160,000,000 Consideration Shares at issue price of HK$0.15 per share.

37. BUSINESS COMBINATION (continued)

(c) Acquisition of Anhui Tea Group (continued)

Anhui Tea Group is engaged in the operation of sales of raw teas and refined teas and other related products.

The directors believe that through the acquisition of the Anhui Tea Group, it offers business opportunities of the Group in enhancing brands and developing market channels that would further enhance the Group's income and strengthen the Group's market position.

The fair value of net identifiable assets acquired and liabilities assumed in the above acquisition were as follows:–

	Notes	HK$'000
Net identifiable assets acquired and liabilities assumed:–		
Bearer plants	16	477,500
Other receivables		2,890
Deferred tax liabilities	31	(5,455)
Amount due to the sole shareholder of the non-controlling interest's shareholder		(436,360)
Total net identifiable assets acquired and liabilities assumed		38,575
Non-controlling interests		(3,858)
Gain on bargain purchase of interest in subsidiaries		(106,681)
		(71,964)
Consideration for acquisition of subsidiaries satisfied by:–		
– Consideration Shares		239,760
– Cash consideration		81,000
		320,760
Less: acquisition of 90% of the NCI Loan		(392,724)
Consideration for acquisition of subsidiaries		(71,964)
Net cash outflow arising from business combination:–		
Cash consideration paid		(81,000)

37. BUSINESS COMBINATION (continued)

(c) Acquisition of Anhui Tea Group (continued)

The Consideration Shares were measured at fair value based on the closing price of HK$0.111 on 11 September 2014, the date of acquisition.

The gain on bargain purchase of HK$106,681,000 was primarily attributable to the decrease in fair value of Consideration Shares during the period from conclusion of the acquisition agreement to the date of the acquisition.

Acquisition related costs amounting to approximately HK$330,000 were included in administrative expenses in profit or loss.

The Anhui Tea Group contributed net loss of approximately HK$3,145,000 (as restated) and revenue of HK$Nil to the Group's loss and revenue for the year ended 31 December 2014 respectively for the period between the date of acquisition and the end of the reporting period.

Had the acquisition been completed on 1 January 2014, the Group's loss and revenue for the year ended 31 December 2014 would be approximately HK$863,660,000 (as restated) and HK$695,147,000 respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that would actually have been impacted had the acquisition been completed on 1 January 2014, nor was it intended to be a projection of future results.

38. DISPOSALS OF SUBSIDIARIES

On 21 August 2014, the Group disposed of its subsidiaries which are principally engaged in provision of fabric processing services and manufacture and sale of fabric, yarns and blankets (the "Disposal Group") at a consideration of HK$216 million. The consideration is satisfied in the following manner:–

– payment of a deposit of HK$43.2 million upon entering into the disposal agreement;

– payment of a deposit of HK$86.4 million within 5 days upon the passing by the shareholders at the Extraordinary General Meeting of an ordinary resolution to approve the disposal agreement and the transactions contemplated thereunder; and

– payment of the remaining balance of HK$86.4 million upon the completion of the disposal agreement.

38. DISPOSALS OF SUBSIDIARIES (continued)

Net assets at the date of disposal were as follows:

	Notes	HK$'000
Property, plant and equipment	16	894,095
Intangible assets	18	3,897
Available-for-sale financial assets		1,313
Inventories		38,093
Trade receivables		131,820
Deposits, prepayments and other receivables		103,923
Cash and bank balances		23,878
Trade payables		(6,421)
Other payables and accruals		(300,358)
Current tax liabilities		(14,452)
Deferred tax liabilities	31	(30,885)
Amount due to the Group's companies		(541,998)
Net assets disposed of		302,905
Release of foreign currency translation reserve		(243,754)
Waiver of receivables from the Disposal Group		541,998
Direct cost to the disposal		730
Loss on disposal of subsidiaries		(385,879)
Total consideration		216,000
Total consideration – satisfied by:		
– Cash		129,600
– Consideration receivable		86,400
		216,000
Net cash inflow arising on disposal:		
Cash consideration received		129,600
Cash paid for direct cost		(730)
Cash and cash equivalents disposed of		(23,878)
		104,992

39. NON-CONTROLLING INTERESTS

The summarised financial information of Ever Reliance that has non-controlling interests that are material to the Group are set out below. The summarised financial information presented below represents the amounts before any inter-company elimination.

Summarised statements of financial position

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000 (restated)
Non-current assets	**444,818**	473,963
Current assets	**2,790**	2,890
Current liabilities	**(419,074)**	(436,410)
Non-current liabilities	**(3,539)**	(5,013)
Net assets	**24,995**	35,430

Summarised statements of profit or loss and other comprehensive income

	Year ended 31 December 2015 HK$'000	Period from 11 September 2014 to 31 December 2014 HK$'000 (restated)
Revenue	**–**	–
Loss for the year/period	**(9,334)**	(3,145)
Other comprehensive loss for the year/period	**(1,101)**	–
Total comprehensive loss for the year/period	**(10,435)**	(3,145)
Loss allocated to the non-controlling interests	**(933)**	(314)
Other comprehensive loss allocated to the non-controlling interests	**(112)**	5
Total comprehensive loss allocated to the non-cortrolling interests	**(1,045)**	(309)

39. NON-CONTROLLING INTERESTS (continued)

Summarised statements of cash flows

During the years ended 31 December 2014 and 2015, Ever Reliance did not have any cash flows from operating, investing and financing activities. At 31 December 2014 and 2015, Ever Reliance did not have any cash and cash equivalents.

40. MAJOR NON-CASH TRANSACTIONS

(a) As disclosed in Note 33, on 20 May 2014 and 30 April 2015, the Group granted 369,544,000 share options and 868,000,000 share options with fair value of approximately HK$13,407,000 and HK$32,958,000 respectively to certain directors and employees. The share options were vested on the grant date.

(b) As disclosed in Note 27(a), during the years ended 31 December 2014 and 2015, the First Tranche Bonds with principal amounts of HK$157,938,000 and HK$113,330,000 were converted into 893,314,343 ordinary shares and 641,006,787 ordinary shares of the Company respectively.

(c) As disclosed in Note 37(c), on 11 September 2014, the Group completed the acquisition of 90% equity interest in Anhui Tea Group. The consideration is partially satisfied by the allotment and issue of 2,160,000,000 consideration shares.

(d) As disclosed in Note 29, the CN with principal amounts of HK$70,000,000 were converted into 875,000,000 ordinary shares of the Company.

(e) As disclosed in Note 30, the Company repurchased the CN with face value of HK$137,000,000 by issue of the promissory notes of HK$164,400,000, being an amount equal to 120% of the face value of the CN.

(f) During the repurchase of the CN, the Company issued 35,767,776 ordinary shares at a price of HK$0.08 per ordinary share to the CN holder for settlement of part of the interest accrued on the CN in previous year.

41. CONTINGENT LIABILITIES

At 31 December 2014 and 31 December 2015, neither the Group nor the Company had any significant contingent liabilities.

42. COMMITMENTS

(a) Operating lease arrangements

As lessee

At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases for leasehold land and buildings payable as follows:

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Within one year	**1,846**	284
In the second to fifth years, inclusive	**3,433**	–
Over five years	**281**	–
	5,560	284

Operating lease payments represent rentals payable by the Group for certain of its offices, factory and warehouse. Leases are negotiated for terms ranging from 2 to 3 years (2014: 2 to 3 years) and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Capital commitments

At the end of reporting period, the Group had the following capital commitments:–

	At 31 December 2015 HK$'000	At 31 December 2014 HK$'000
Authorised but not contracted for:–		
Potential business combination	**684,000**	–
Contracted but not provided for:–		
Construction of buildings	**26,661**	27,772
Investment in Sino-Korean Health Industry Merger & Acquisition Fund as detailed in the Company's announcement dated 23 December 2014	**232,500**	232,500
Business combination	**–**	12,500
Purchase of bearer plants	**–**	67,188
	259,161	339,960
	943,161	339,960

43. RELATED PARTY TRANSACTIONS

At 31 December 2015, the Group's secured bank loans of HK$36,732,000 (2014: HK$17,500,000) were guaranteed by Mr. Cai Yanghang, senior management of the Group.

As disclosed in note 26, at 31 December 2014, the Group had amount due to Mr. Cai Yanghang, of HK$1,861,000 (2014: 1,576,000) which is unsecured, interest free and repayable on demand.

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the directors as disclosed in note 9 is as follows:–

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Salaries, allowances and other benefits in kind	**4,128**	2,584
Discretionary bonus	**37**	35
Contributions to defined contribution plan	**42**	68
Equity-settled share-based payments	**1,481**	234
	5,688	2,921

44. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Except for the termination of a potential business conbination on 16 March 2016 as disclosed in Note 20(a)(iii), the Group had the following material subsequent events after the reporting period:

(a) On 18 March 2016, the Group entered into the share transfer agreement with the vendor, Sure Right Development Limited, to acquire 25% issued share capital of Plenty Partner Limited, a company incorporated in the BVI, and the 25% shareholder's loan due by Plenty Partner Limited to Sure Right Development Limited of approximately RMB139,186,000 (equivalent to approximately HK$167,023,000) at a consideration of HK$200,000,000, satisfied by allotment and issue of 2,000,000,000 consideration shares of HK$0.1 per consideration share. The completion will take place within 20 business days after the fulfilment of or waiver of all conditions precedents as defined in the share transfer agreement or such later dates as may be agreed between the parties in the share transfer agreement. Up to the date of this report, the share transfer has not been completed yet. Details of these were set out in the Company's announcement dated 18 March 2016.

(b) The Second Tranche Bonds with principal amount of approximately HK$277,950,000 were matured on 31 December 2015. The Group is currently in the process of negotiating with the bondholders for the extension and/or restructuring of the terms of the Second Tranche Bonds.

45. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2016.

46. IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31 December 2015, the directors consider the immediate and ultimate holding company of the Group to be Smart Fujian Group Limited, a company incorporated in the BVI.