Kiu Hung International Holdings Limited
僑雄國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 00381)

Leading the Way Towards A Bright Future

Annual Report 2015

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Hui Kee Fung *(Chairman)*
Mr. Sao Cheung Yung, Aaron *(Vice Chairman)*
Mr. Yu Won Kong, Dennis *(Chief Executive Officer)*
Mr. Nojiri Makoto
Mr. Yip Kong Nam
Mr. Zhang Qijun

NON-EXECUTIVE DIRECTOR

Mr. Lam Kit Sun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. So Chun Pong, Ricky
Mr. Wang Xiao Ning
Mr. Xia Liming

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

20th Floor
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8–10 Duddell Street
Central
Hong Kong

AUDITOR

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

COMPANY'S WEBSITE

www.kh381.com

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road Central
Hong Kong

OCBC Wing Hang Bank Limited
Head office
161 Queen's Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman
KY1-1110
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

FINANCIAL PERFORMANCE

for the year ended 31 December	2015 HK$'000	2014 HK$'000	Change
TURNOVER	**223,313**	229,022	(2.5%)
Gross profit	**79,668**	73,576	8.3%
Loss for the year	**(87,252)**	(508,672)	82.8%
Loss attributable to shareholders	**(89,665)**	(509,606)	82.4%
Basic loss per share (in HK cents)	**(2.95)**	(31.58)	90.7%
TOTAL ASSETS	**807,433**	461,777	74.9%
Shareholders' equity	**401,028**	293,191	36.8%

On behalf of the board of the directors (the "**Board**") of Kiu Hung International Holdings Limited (the "**Company**", together with its subsidiary and associated companies, the "**Group**"), I am pleased to present the annual report of the Group for the financial year ended 31 December 2015 (the "**Year**").

RESULTS AND DIVIDENDS

The past year was very challenging to the Group. The sluggish global economic growth, volatilities in international capital markets and the decline in economic growth rate of China has posted many challenges to the Group. During the Year, the Group recorded a turnover of approximately HK$223,300,000 (2014: approximately HK$229,000,000), representing a decrease of approximately 2.5% as compared to the previous year. The Group's loss attributable to shareholders for the Year was approximately HK$89,700,000 (2014: approximately HK$509,600,000). Basic loss per share for the Year was approximately 2.95 HK cents (2014: approximately 31.58 HK cents).

The decrease in the Group's loss attributable to shareholders and the basic loss per share for the Year, of approximately HK$419,900,000 and approximately 28.63 HK cents, respectively, was mainly attributable to the impact of the provision for impairment of investment in an associate of approximately HK$453,900,000 in 2014. Excluding the above-mentioned provision for impairment of investment in an associate, the loss for the Year is comparable to the previous year.

The Board does not recommend the payment of any dividend for the Year (2014: Nil).

BUSINESS REVIEW

Manufacturing and Trading of Toys and Gifts Items

Turnover from toys and gifts business for the Year was approximately HK$223,300,000 (2014: approximately HK$229,000,000), representing a decrease of approximately 2.5% as compared to the previous year. The decrease in turnover from toys and gifts business was mainly due to the decrease of sales of toys and gifts products. The gross profit ratio of the toys and gifts business was approximately 35.7% for the Year (2014: approximately 32.1%).

Exploration of Natural Resources

The Group owns the exploration rights of Bayanhushuo Coal Field ("**BCF**") and Guerbanhada Coal Mine ("**GCM**"), all located in Inner Mongolia Autonomous Region, the PRC with total estimated coal resources of approximately 500.05 million tonnes. The current licence period of the exploration right of BCF and GCM is from 4 July 2014 to 4 July 2016 and from 21 August 2015 to 20 August 2017, respectively.

The master planning of BCF was approved in December 2015. But, the mining licence application process of GCM was much slower than expected. As at the date of this report, the Group is still waiting for the approval of the master planning of GCM from the National Development and Reform Commission of the PRC, the National Energy Commission of the PRC, which is one of the preconditions for the application of the mining licence of GCM.

Fruit Plantation

Multijoy Developments Limited, 28% equity interest of which was acquired by the Company, together with its subsidiaries (the "**Multijoy Group**") is principally engaged in the business of holdings of forestry concession rights in relation to a parcel of forest land situated in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 Chinese mu (the "**Forest Land**"). The Multijoy Group has appointed an independent thirty party under a cooperation agreement for a term of five years from 1 April 2013 to 31 March 2018 in relation to the operations of the tangerine planation business on the Forest Land for a fixed royalty income.

On 5 October 2015, Trinity Force Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Green Luxuriant Group Investment Limited, regarding the Company's acquisition of 19% equity interests of USO Management & Holding Co Ltd. (the "**Target Company**"). The Target Company entered into the Tenancy Agreement with AFS pursuant to which AFS pursuant to which AFS granted to the Target Company the lease right to use the Leased Properties for a term of 90 plus 30 years (120 years in total) at an annual lease payment of US$120,000 (equivalent to approximately HK$936,000) for the development of the Target Company's planation business.

The total consideration of this acquisition of approximately HK$120,000,000 was satisfied by issue of the 49,000,000 consideration shares at HK$0.144 per share and issue of the First Promissory Notes and the Second Promissory Notes in the total principal amount of HK$112,900,000. The consideration share was issued on 20 October 2015. This acquisition was completed on 7 December 2015. Accordingly, the First Promissory Notes were issued by the Company to the Vendor.

For details, please refer to the Company's announcements dated 5 October 2015 and 7 December 2015.

Leisure

On 23 April 2015, the Group completed the acquisition of 20% equity interest in Eagle Praise Limited (together with its subsidiary, the "**Eagle Praise Group**") at a total consideration of HK$125,000,000 satisfied by the issuance of 150,000,000 new ordinary shares at an issue price of HK$0.22 per share and the promissory notes in the aggregate principal amount of HK$92,000,000 of the Company to Unicorn Sino Limited ("**Unicorn Sino**"). A side letter was signed on 4 August 2015 in relation to the extension of the milestone time limit to 3 December 2015 (or such later date as the parties to the sale and purchase agreement may agree in writing). On 16 December 2015, a supplemental agreement to the Sale and Purchase Agreement and a supplemental agreement to the Shareholders' Agreement were entered into to amend and modify certain terms of the two agreement, including the cancellation of the promissory notes (in the principal amount of HK$92,000,000) issued by the Company at the Initial Completion and replaced by the New promissory Notes (also in the principal amount of HK$92,000,000) and the Convertible Bonds will set off in full the entire principal amount of the New Promissory Notes upon completion of the issue of the Convertible Bonds pursuant to a supplemental agreement to the Sale and Purchase Agreement.

The Company entered into an addendum on 22 December 2015 to revise the lower and upper limits of the Conversion Price to HK$0.115 and HK$0.22 instead of HK$0.15 and HK$0.22 as set out in the announcement dated 16 December 2015. The Eagle Praise Group is principally engaged in the business of designing, developing and selling tourism and travel related products in the PRC.

For details, please refer to the Company's announcements dated 3 February 2015, 12 February 2015, 6 March 2015, 1 April 2015, 16 April 2015, 23 April 2015, 4 August 2015, 28 August 2015, 3 December 2015, 16 December 2015 and 22 December 2015.

Culture

On 27 March 2015, the Group entered into an assets purchase agreement (the "**Assets Purchase Agreement**") with Jingdezhen Jing Dong Ceramic Group Co., Ltd., an independent third party, regarding certain pieces of Jingdezhen contemporary ceramics including ceramic vases and plates, at a consideration of HK$38,000,000 (the fair value was HK$35,000,000), which would be satisfied by the issue of two series of the Company's promissory notes, namely, the promissory note A and promissory note B, in the aggregate principal amount of HK$6,500,000 and HK$31,500,000, respectively. Completion of the Assets Purchase Agreement took place following the execution of the Assets Purchase Agreement on 27 March 2015. The Company has repaid the promissory note A in the principal amount of HK$6,500,000 by payment in cash on 12 June 2015. The promissory note B is due by 27 March 2016. The Company entered into a subscription agreement on 11 March 2016 with the subscriber, pursuant to which the subscriber has conditionally agreed to subscribe the Company's convertible bonds in the principal amount of HK$31,500,000 with the rights to convert into 315,000,000 conversion shares at an initial conversion price of HK$0.10 (subject to adjustments) per conversion share. The subscription monies payable by the subscriber will be satisfied by fully setting off against the promissory note B of HK$31,500,000.

For details, please refer to the Company's announcements dated 27 March 2015, 12 June 2015 and 11 March 2016.

BUSINESS PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group has been reviewing its operations and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole. This is evidenced by (a) the acquisition of the fruit plantation related businesses (completed on 17 September 2014 and 7 December 2015); (b) the acquisition of art and cultural related assets (completed on 27 March 2015); (c) the acquisition of the PRC outbound travelling to Samoa related business (completed on 23 April 2015); (d) the acquisition of the property sale business in the PRC (completed on 7 August 2015); and (e) the entering into of a memorandum of understanding in relation to the possible acquisition of wine related business in the PRC.

On 4 January 2016, the Group has an acquisition of 33% equity interest of tea related business. The Acquisition is an attractive opportunity for the Group to enhance the business portfolio in the tea business. The Group is actively exploring for business opportunities in other sectors to diversify risk and broaden the sources of income of the Group, please refer to the announcements of the Company dated 18 December 2015 and 5 January 2016.

On 27 January 2016, the Group has further acquisition of 12% equity interest of the tangerine planation related business. The Acquisition represents an investment opportunity with earning potentials in terms of the fixed revenue to be generated from the planation business under the Cooperation Agreement, please refer to the announcements of the Company dated 11 January 2016 and 27 January 2016.

Going forward, the Group will review its current operations from time to time and will continue to explore other investment opportunities in different fields including but not limited to financial services or any other businesses that have earning potentials, in order to expand its existing operations and to diversify its businesses to maximise the interests of the Group and our shareholders as a whole.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our most sincere thanks and gratitude for the continuing supports of our shareholders, business partners and parties from various fields, and also for the contribution and dedication of our management and dedicated staff in previous year.

Hui Kee Fung
Chairman

Hong Kong, 31 March 2016

FINANCIAL HIGHLIGHTS

During the financial year ended 31 December 2015 (the "**Year**"), the Group recorded a turnover of approximately HK$223.3 million (2014: approximately HK$229.0 million), representing a decrease of approximately 2.5% as compared to the previous year. The Group's loss attributable to shareholders for the Year was approximately HK$89.7 million (2014: approximately HK$509.6 million). Basic loss per share for the Year was approximately 2.95 HK cents (2014: approximately 31.58 HK cents).

The decrease in the Group's loss attributable to shareholders and the basic loss per share for the Year, of approximately HK$419.9 million and approximately 28.63 HK cents, respectively, was mainly attributable to the impact of the provision for impairment of investment in an associate of approximately HK$453.9 million that was provided in 2014. Details of such provision for impairment of investment in an associate are set out in note 18 to the consolidated financial statements.

Excluding the above-mentioned provision for impairment of investment in an associate, the loss for the Year is comparable to the previous year.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2014: Nil).

BUSINESS AND OPERATIONAL REVIEW

Segmental Information Analysis

During the Year, the Group has five reportable segments, namely, "Manufacturing and trading of toys and gifts items", "Exploration of natural resources", "Fruit plantation", "Leisure" and "Culture".

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business has different economic characteristics.

Manufacturing and trading of toys and gifts items

Turnover from toys and gifts business for the Year was approximately HK$223.3 million (2014: approximately HK$229.0 million), representing a decrease of approximately 2.5% as compared to the previous year. The decrease in turnover from toys and gifts business was mainly due to the decrease of sales of toys and gifts products. The gross profit ratio of the toys and gifts business was approximately 35.7% for the Year (2014: approximately 32.1%).

Exploration of natural resources

The Group owns the exploration rights of Bayanhushuo Coal Field and Guerbanhada Coal Mine, all located in Inner Mongolia Autonomous Region (the "**Inner Mongolia**"), the PRC with total estimated coal resources of approximately 500.05 million tonnes under the JORC Code as follows:

	Inferred Resources *(Million tonnes)*
Bayanhushuo Coal Field ("**BCF**")	394.05
Guerbanhada Coal Mine ("**GCM**")	106.00
Total	500.05

In order to fulfill the requirement of the PRC government before submitting the master planning of BCF, the Group submitted a resources report of BCF to the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) during 2011. The resources report was prepared by Inner Mongolia Long Wang Geographic Exploration Co. Ltd.* (內蒙古龍旺地質勘探有限責任公司), which indicates BCF has an estimated coal resources of approximately 384.69 million tonnes under the Chinese resources standard promulgated by the Ministry of Land and Resources of the PRC.

BCF is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by SRK Consulting (China) Ltd on 31 January 2008, BCF has estimated coal resources of approximately 394.05 million tonnes of high quality thermal coal. The current licence period of the exploration right of BCF is from 4 July 2014 to 4 July 2016. The master planning was approved in December 2015.

GCM is located in Xilinguolemeng of Inner Mongolia, the PRC. Pursuant to an independent technical assessment report issued by Steffen Robertson and Kirsten (Australasia) Pty Ltd. on 30 March 2007, GCM has estimated coal resources of approximately 106 million tonnes of high quality thermal coal. The current licence period of the exploration right of GCM is from 21 August 2015 to 20 August 2017.

Pursuant to the relevant requirements of the Government of Inner Mongolia, the Government of Inner Mongolia is promoting the development of converting coal into high value added products. If such objective is not fulfilled in respect of a coal mine, the holder of the exploration right of such coal mine may voluntarily hand over the right to the Government of Inner Mongolia for a compensation of an amount equivalent to two times of the actual expenses incurred by the holder on geological prospecting.

When applying for the renewal of the licence for the exploration right for GCM, the Group gave an undertaking (as required by the local government) on 7 August 2015 that after the renewal of the licence, if the Group elects to voluntarily hand over the exploration right to the Government of Inner Mongolia, it will accept a compensation equivalent to two times of the actual expenses incurred by it on geological prospecting. As of the date of this report, the actual expenses incurred were approximately RMB14,510,000.

As the compensation from the Government of Inner Mongolia is not substantially lower than the carrying asset value of GCM as at 31 December 2015 and 31 December 2014, which was approximately HK$37,066,000 and HK$39,364,000, respectively, the Board considers that, even the exploration right is handed over to the Government of Inner Mongolia, there will not be any material adverse impact on the business prospects or financial position of the Group.

The mining licence application process of GCM was much slower than expected. As at the date of this report, the Group is still waiting for the approval of the master planning (總體規劃) of GCM from the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and the National Energy Commission of the PRC (中華人民共和國國家能源局), which is one of the preconditions for the application of the mining licence of GCM.

Fruit plantation

Multijoy Developments Limited, 28% equity interest of which was acquired by the Company, together with its subsidiaries (the "**Multijoy Group**") is principally engaged in the business of holding of forestry concession rights in relation to a parcel of forest land situated in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 Chinese mu (the "**Forest Land**"). The Multijoy Group has appointed an independent third party under a cooperation agreement for a term of five years from 1 April 2013 to 31 March 2018 in relation to the operations of tangerine plantation business on the Forest Land for a fixed royalty income.

On 5 October 2015, Trinity Force Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Green Luxuriant Group Investment Limited, regarding the Company's acquisition of 19% equity interests of USO Management & Holding Co Ltd. (the "**Target Company**"). The Target Company entered into the Tenancy Agreement with AFS pursuant to which AFS granted to the Target Company the legal right to use the Leased Properties for a term of 90 plus 30 years (120 years in total) at an annual lease payment of US$120,000 (equivalent to approximately HK$936,000) for the development of the Target Company's Plantation Business.

The total consideration of this acquisition of approximately HK$120.0 million was satisfied by issue of the 49,000,000 consideration shares at HK$0.144 per share and issue of the First Promissory Notes and the Second Promissory Notes in the total principal amount of HK$112.9 million. The consideration share was issued on 20 October 2015. This acquisition was completed on 7 December 2015. Accordingly, the First Promissory Notes were issued by the Company to the Vendor.

The Company entered into the Subscription Agreement on 25 January 2016 with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe or procure subscription by its nominee(s) for the Convertible Bonds in the principal amount of HK$100,766,562 with the rights to convert into 877,757,508 Conversion Shares at an initial Conversion Price of HK$0.1148 (subject to adjustments) per Conversion Share. The subscription monies payable by the Subscriber or procured by the Subscriber to be payable by its nominee(s) will be satisfied by fully setting off against the Promissory Notes of HK$100,766,562.

For details, please refer to the Company's announcements dated 5 October 2015, 7 December 2015 and 25 January 2016.

Leisure

On 23 April 2015, the Group completed the acquisition of 20% equity interest in Eagle Praise Limited (together with its subsidiary, the "**Eagle Praise Group**") at a total consideration of HK$125.0 million satisfied by the issuance of 150,000,000 new ordinary shares at an issue price of HK$0.22 per share and the promissory notes in the aggregate principal amount of HK$92.0 million of the Company to Unicorn Sino Limited ("**Unicorn Sino**"). A side letter was signed on 4 August 2015 in relation to the extension of the milestone time limit to 3 December 2015 (or such later date as the parties to the sale and purchase agreement may agree in writing). On 16 December 2015, a supplemental agreement to the Sale and Purchase Agreement & a supplemental agreement to the Shareholders' Agreement were entered into to amend and modify certain terms of the two agreements, including the cancellation of the promissory notes (in the principal amount of HK$92.0 million) issued by the Company at the Initial Completion and replaced by the New Promissory Notes (also in the principal amount of HK$92.0 million) and the Convertible Bonds will set off in full the entire principal amount of the New Promissory Notes upon completion of the issue of the Convertible Bonds pursuant to a supplemental agreement to the Sale and Purchase Agreement.

The Company entered into an addendum on 22 December 2015 to revise the lower and upper limits of the Conversion Price to HK$0.115 and HK$0.22 instead of HK$0.15 and HK$0.22 as set out in the 16 December 2015 Announcement. The Eagle Praise Group is principally engaged in the business of designing, developing and selling tourism and travel related products in the PRC.

For details, please refer to the Company's announcements dated 3 February 2015, 12 February 2015, 6 March 2015, 1 April 2015, 16 April 2015, 23 April 2015, 4 August 2015, 28 August 2015, 3 December 2015, 16 December 2015 and 22 December 2015.

Culture

On 27 March 2015, the Group entered into an assets purchase agreement (the "**Assets Purchase Agreement**") with Jingdezhen Jing Dong Ceramic Group Co., Ltd, an independent third party, regarding certain pieces of Jingdezhen contemporary ceramics including ceramic vases and plates, at a consideration of HK$38.0 million (the fair value was HK$35.0 million), which would be satisfied by the issue of two series of the Company's promissory notes namely, the promissory note A and promissory note B, in the aggregate principal amount of HK$6.5 million and HK$31.5 million, respectively. Completion of the Assets Purchase Agreement took place following the execution of the Assets Purchase Agreement on 27 March 2015. The Company has repaid the promissory note A in the principal amount of HK$6.5 million by payment in cash on 12 June 2015. The promissory note B is due by 27 March 2016. The Company entered into a subscription agreement on 11 March 2016 with the subscriber, pursuant to which the subscriber has conditionally agreed to subscribe the Company's convertible bonds in the principal amount of HK$31,500,000 with the rights to convert into 315,000,000 conversion shares at an initial conversion price of HK$0.10 (subject to adjustments) per conversion share. The subscription monies payable by the subscriber will be satisfied by fully setting off against the promissory note B of HK$31,500,000.

For details, please refer to the Company's announcements dated 27 March 2015, 12 June 2015 and 11 March 2016.

GEOGRAPHICAL INFORMATION

During the Year, the Group recorded revenues in North America (includes the USA and Canada) of approximately HK$209.6 million for the Year compared to approximately HK$211.9 million last year and represented approximately 93.9% (2014: approximately 92.5%) of the Group's total revenue. Revenue in the European Union (includes Spain, Italy, France and the United Kingdom) amounted to approximately HK$8.7 million compared to approximately HK$10.7 million last year and represented approximately 3.9% (2014: approximately 4.7%) of the Group's total revenue.

SELLING AND DISTRIBUTION COSTS

The amount of the selling and distribution costs for the Year was approximately HK$36.6 million (2014: approximately HK$33.1 million). The increase was mainly attributable to the increase of the staff costs of toys and gifts products segment.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Year increased by approximately 46.6% to approximately HK$119.2 million as compared to approximately HK$81.3 million in the previous year. The increase in administrative expenses was mainly due to an increase in (i) share-based payments of approximately HK$15.4 million; (ii) staff costs of approximately HK$16.6 million; (iii) rental expenses of approximately HK$6.0 million and (iv) legal and professional fees of approximately HK$5.1 million during the Year.

FINANCE COSTS

Finance costs for the Year increased by approximately 33.6% to approximately HK$14.7 million as compared to approximately HK$11.0 million in the previous year. The increase in finance costs was mainly due to imputed interest from promissory notes issued during the year.

INCOME TAX (EXPENSE)/CREDIT

The Group recorded an income tax expense of approximately HK$1.9 million during the Year (2014: approximately income tax credit of HK$0.3 million). The increase in income tax expense was mainly due to the increase in deferred income tax expense of approximately HK$1.9 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities provided by its principal bankers in Hong Kong and in the PRC. The Group had cash and bank balances of approximately HK$13.8 million at 31 December 2015 (2014: approximately HK$20.1 million). The Group's cash and bank balances were mostly held in Hong Kong dollars, United States dollars and Renminbi.

At 31 December 2015, the Group's borrowings amounted to approximately HK$74.1 million (2014: approximately HK$63.8 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi, of which approximately 70% (2014: approximately 40.5%) bore interest at fixed lending rates.

At 31 December 2015, the Company had no fair value of the liability component of Convertible Bonds (2014: approximately HK$20.2 million). The Group had incurred interest expenses for the Convertible Bonds of approximately HK$1.9 million (2014: approximately HK$1.9 million) for the Year.

The gearing ratio of the Group calculated as the Group's borrowings less bank and cash balances over its total equity was approximately 15.0% at 31 December 2015 (2014: approximately 14.9%).

Net current liabilities of the Group at 31 December 2015 were approximately HK$63.6 million (2014: approximately HK$33.6 million) and the current ratio of the Group calculated as the Group's current assets over its current liabilities was approximately 0.79 (2014: approximately 0.72).

As the majority of the Group's transactions and borrowings was denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate fluctuation was relatively insignificant and the Group had not used any financial instruments for hedging during the Year.

At 31 December 2015, certain property, plant and equipment, prepaid land lease payments and investment properties held by the Group with aggregate carrying value of approximately HK$49.8 million (2014: approximately HK$68.2 million), were pledged to secure general banking facilities granted to the Group.

The Group had no capital commitments as at 31 December 2015 (2014: Nil).

The Group had no contingent liabilities as at 31 December 2015 (2014: Nil).

BUSINESS PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group has been reviewing its operations and exploring other investment opportunities that have earning potentials in order to expand its existing operations and diversify its businesses and income base to maximize the interests of the Group and the shareholders as a whole. This is evidenced by (a) the acquisition of the fruit plantation related businesses (completed on 17 September 2014 and 7 December 2015); (b) the acquisition of art and cultural related assets (completed on 27 March 2015); (c) the acquisition of the PRC outbound travelling to Samoa related business (completed on 23 April 2015); (d) the acquisition of the property sale business in the PRC (completed on 7 August 2015); and (e) the entering into of a memorandum of understanding in relation to the possible acquisition of wine related business in the PRC.

On 4 January 2016, the Group has an acquisition of 33% equity interest of tea related business. The Acquisition is an attractive opportunity for the Group to enhance the business portfolio in the tea business. The Group is actively exploring for business opportunities in other sectors to diversify risk and broaden the sources of income of the Group. On 22 January 2016, the Company entered into the Subscription Agreement under which the Promissory Note 1 and Promissory Note 2 of HK$57,264,480 and HK$10,225,800 respectively would be used to fully set off the subscription monies for the Convertible Bonds in the principal amount of HK$67,490,280 with the rights to convert into 674,902,800 Conversion Shares at an initial Conversion Price of HK$0.10 (subject to adjustments) per Conversion Share, please refer to the announcements of the Company dated 18 December 2015, 5 January 2016 and 22 January 2016.

On 27 January 2016, the Group has further acquisition of 12% equity interest of the tangerine plantation related business. The Acquisition represents an investment opportunity with earning potentials in terms of the fixed revenue to be generated from the plantation business under the Cooperation Agreement, please refer to the announcements of the Company dated 11 January 2016 and 27 January 2016.

Going forward, the Group will review its current operations from time to time and will continue to explore other investment opportunities in different fields including but not limited to financial services or any other businesses that have earning potentials, in order to expand its existing operations and to diversify its business to maximize the interests of the Group and our shareholders as a whole.

CAPITAL STRUCTURE

As at 31 December 2015, the capital structure of the Company was constituted of 3,543,907,176 ordinary shares of HK$0.10 each. Apart from the ordinary shares in issue, the capital instruments in issue of the Company include the share options to subscribe for the Company's shares.

On 21 April 2015, the Company and its placing agent entered into a conditional placing and subscription agreement in respect of the placement of 67,200,000 ordinary shares of HK$0.10 each of the Company to not less than six placees at the placing price of HK$0.174 per share. The placement and subscription of 67,200,000 ordinary shares of HK$0.10 each of the Company was completed on 4 May 2015. The net proceeds (after deducting the placing agent commission and other expenses incurred) was approximately HK$11.0 million.

Such placing price and/or the subscription price of HK$0.174 per share represented a discount of approximately 16.75% to the closing price of HK$0.209 per share as quoted on the Stock Exchange on 21 April 2015, being the date of the placing and subscription agreement. The net proceeds of the placing were approximately HK$11.0 million and the net price per placing share was approximately HK$0.164. Approximately HK$4.5 million of the net proceeds has been used as the

Group's general working capital to repay the Group's borrowings and the remaining balance of approximately HK$6.5 million has been used as the Group's general working capital (including the staff cost, rental expense and legal and professional fee) as intended. After taking into account various ways of raising funds to develop the Group's businesses, the Directors considered that the placing represented a suitable opportunity to raise capital for the Company and enlarge the equity and shareholder base of the Company.

For details, please refer to the Company's announcement dated 21 April 2015.

At 31 December 2015, 380,346,000 share options were granted and not yet exercised and no conversion shares remained outstanding (2014: 157,146,120 share options; 2014: 200,000,000 conversion shares).

The 2012 Share Option Scheme has expired on 27 May 2012. Therefore, no further options will be granted under the 2012 Share Option Scheme upon the expiry of the 2012 Share Option Scheme. As at 31 March 2016, there were a total of 9,546,000 outstanding options entitling the holders thereof to subscribe for up to an aggregate of 9,546,000 shares under the 2012 Share Option Scheme, representing approximately 0.22% of the then issued share capital of the Company.

The 2013 Share Option Scheme will expire on 30 May 2023 with a scheme life of ten years. As at 31 March 2016, the total number of share available for issue under the 2013 Share Option Scheme is 354,390,717 shares, representing approximately 8.35% of the then issued share capital of the Company.

EMPLOYMENT, TRAINING AND DEVELOPMENT

At 31 December 2015, the Group had a total of 500 employees (2014: 564 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a periodical basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

DIRECTORS

Executive Directors

Mr. Hui Kee Fung, aged 55, has been appointed as executive director and chairman of the Company since November 2000. He has over 20 years of experience in various industries. He is a China overseas Friendship Association Director, a Standing Committee Member of the Tenth Chinese People's Political Consultative Conference of Fujian Province, the PRC, a Fellow of the Asian Knowledge Management College, an Adjunct Professor in Faculty of Business of City University of Hong Kong, a Member of the Economic Cooperative Committee between Hong Kong and the Fujian Province, the PRC, the Honorary Life Chairman of the Hong Kong Federation of Fujian Association, a Standing Committee Member of the Economic Cooperative and Promotion Committee between Hong Kong and the Heilongjiang Province, the Honorable Chairman of the Hong Kong Fujian Charitable Education Fund, the Permanent Honorable Chairman of the Fujian Putian university in the PRC, the Chairman of Xu A Qiong Foundation of Putian and an Honorary Citizen of Putian, Fujian, the PRC. Mr. Hui has awarded the Young Industrialist Awards of Hong Kong in 2001.

Mr. Sao Cheung Yung, Aaron, aged 58, has been appointed as executive director and vice chairman of the Company since November 2015. Mr. Sao is currently the general manager of Grand Bloom Investment Ltd, a company principally engaged in investment holding in Hong Kong, the People's Republic of China and South East Asia. Mr. Sao has approximately 8 years of experience in investment and approximately 21 years of experience in provision of investment and financial consultancy services and corporate management.

Mr. Yu Won Kong, Dennis, aged 66, has been appointed as executive director of the Company since october 2009. He is also the chief executive officer of the Company and has over 20 years of experience in financial investment field. From 2003 to 2006, Mr. Yu was a director of Fortuna International Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). During the period from 1995 to 2003, he acted as executive director respectively in several listed companies in Australia, Frankfurt and NASDAQ and was responsible for identifying acquisition targets, raising fund, and monitoring those companies' direct investment activities in the PRC. Mr. Yu was also the chairman and executive director of Ruifeng Petroleum Chemical Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange ("**GEM**"), from 11 August 2008 to 28 September 2012.

Mr. Nojiri Makoto, aged 44, has been appointed as executive director of the Company since November 2015. Mr. Nojiri is currently the president of Saitama Kanemo Co., Ltd.* (琦玉縣金茂株式會社), a company principally engaged in trading of Chinese products, alcohol beverages, tea, etc. Mr. Nojiri has approximately 16 years of experience in the toys industry and 4 years of experience in the trading industry.

Mr. Yip Kong Nam, aged 41, has been appointed as executive director of the Company since June 2015. Mr. Yip holds a bachelor with double major in general psychology and business administration degree from The University of Arkansas, USA and graduated with scholarship from the Hawaii Pacific University of USA in 2002 with a master degree in business administration (focusing on marketing and organizational behavior). Mr. Yip has over 17 years of experience in the sales management and had worked in various companies in Hong Kong and overseas to managing the sales teams and promoting the image of the relevant companies and their products.

Mr. Zhang Qijun, aged 38, has been appointed as executive director of the Company since March 2016. Mr. Zhang is currently the Legal Person of Fuzhou Taijiang He Xuan Trading Co. Ltd., a company principally engaged in trading in the People's Republic of China. Mr. Zhang has approximately 17 years of experience in arts and design, and trading.

Non-Executive Director

Mr. Lam Kit Sun, aged 38, was appointed as an executive director from 27 October 2009 and has been re-designated as a non-executive director since 1 August 2013. He graduated from the Hong Kong University of Science and Technology with bachelor's degree in Business Administration in Accounting. He has over 10 years of experience in the field of financial reporting, financial management and audit experience in China and Hong Kong. Mr. Lam has worked in an international accountancy firm in Hong Kong for over 4 years and was the company secretary and qualified accountant of China Leason Investment Group Co. Limited, a company listed on the GEM. Mr. Lam is a fellow and practicing member of the Hong Kong Institute of Certificate Public Accountants, a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Chartered Secretaries and a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Lam was the non-executive director of Ruifeng Petroleum Chemical Holdings Limited, a company listed on the GEM, from 11 August 2008 to 6 July 2011. He is an executive director, company secretary and chief financial officer of Universe International Holdings Limited, a company listed on the main board of the Stock Exchange, was the chief financial officer and company secretary of Finsoft Corporation, a company listed on the GEM from September 2013 to January 2015, was an independent non-executive director of DX.com Holdings Limited, a company listed on the GEM from August 2013 to January 2015 and an independent non-executive director M Dream Inworld Limited, a company listed on the GEM.

Independent Non-Executive Directors

Mr. So Chun Pong, Ricky, aged 42, has been appointed as independent non-executive director of the Company since 31 May 2013. He graduated from the university of Toronto in 2002 with a bachelor degree in Landscape Architecture. He has over 11 years of experience in the field of landscape architecture and worked in various leading landscape architecture companies in Hong Kong and overseas. Mr. So is specialized in residential and recreational developments in his practice. He has an extensive experience in various aspects in the landscape architects industry including master- planning and site construction.

Mr. Wang Xiao Ning, aged 56, has been appointed as independent non-executive director of the Company since June 2015. Mr. Wang joined the field of import and export trading in 1990. He is currently the general manager of 福建省鄉鎮企業進出口公司 (Fujian Township Enterprises Import and Export Corporation*). Mr. Wang has over 25 years of experience in the import and export trading management.

Mr. Xia Liming, aged 54, has been appointed as independent non-executive director of the Company since February 2016. Mr. Xia holds the Professional Certificate of Modern Economic Management in Professional Adult Higher Education from the Fuzhou University in China. Prior to joining the Group, Mr. Xia worked as a mediator (Deputy Chief level) in the Agricultural Bank of China for more than 22 years. Mr. Xia has very extensive experience in the banking industry.

SENIOR MANAGEMENT

Mr. Cheung Kai Fung, aged 41, has been appointed as the chief financial officer of the Company since 15 March 2010. He was the executive director of the Company from 1 August 2013 to 1 June 2015 and the company secretary of the Company from 15 March 2010 to 1 December 2015. He holds a bachelor in Business Administration Degree in Information and Systems Management from the Hong Kong University of Science and Technology and graduated from the MBA Program in Finance jointly offered by the Chinese University of Hong Kong in collaboration with the Tsinghua University. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Cheung was the group financial controller, qualified accountant and joint company secretary of China Sunshine Paper Holdings Company Limited, a company listed on the main board of the Stock Exchange, prior to joining the Company. Mr. Cheung has over 15 years of finance, investor relations and audit experience.

Mr. Yang Runzhi, aged 61, is the managing director of Inner Mongolia Mingrunfeng Energy Co., Ltd. and Inner Mongolia Run Heng Mining Company Limited, the indirect wholly-owned subsidiary of the Company. He has 25 years of experience in military and government and over 10 years of experience in the coal industry in Inner Mongolia. He is a Senior Economist for coal industry and has worked as the General Manager of Beijing Zhongmei Hengrun Co., Ltd., a subsidiary of the China Coal Group. He has in-depth knowledge in the sales and marketing of coals, processing of coal products and purchasing of coal mine machinery and equipment.

Mr. Hui Ki Yau, aged 54, is the president of the Group's toys and gifts business. He is responsible for the operations and the sales and marketing functions of the toy and gift business of the Group. Mr. Hui has over 25 years of experience in the sales and marketing field. He is currently a Standing Committee Member of the Chinese People's Political Consultative Conference of Putian City, Fujian Province, the PRC, an Executive Member of Fujian Putian Commerce Association, a member of the Hong Kong Trade Development Council Toys Advisory Committee, a Director of The Fujian Putian university and an honorary citizen of Putian, Fujian, the PRC. Mr. Hui is the brother of Mr. Hui Kee Fung and Madam Hui Hung Tan, Teresa.

Madam Hui Hung Tan, Teresa, aged 47, is the Director of operations and sales of the Group's toys and gifts business. Madam Hui has over 20 years of experience in the toy and decorative gift industries. Madam Hui is a Director of The Fujian Putian university and an honorary citizen of Putian, Fujian, the PRC. She is the sister of Mr. Hui Kee Fung and Mr. Hui Ki Yau.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 19 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by principal activities and geographical area of operations for the year ended 31 December 2015 is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's result for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 33 to 36 of this annual report. The directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2015.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of the Group's investment properties are set out in note 15 to the consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2015 are set out in note 29 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 32 and 34 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 41 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company had distributable reserves of approximately HK$42.4 million (2014: HK$30.5 million). under the Company's memorandum and articles of association and the Companies Law (Revised) of the Cayman Islands, the contributed surplus and share premium of the Company of approximately HK$125.2 million (2014: HK$125.2 million) and approximately HK$1,574.60 million (2014: HK$1,423.0 million), respectively, at 31 December 2015 are 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 they fall due in the ordinary course of business.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 128 of this annual report.

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 is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling approximately HK$517,000 (2014: HK$305,000).

RETIREMENT BENEFITS SCHEMES

The Group operates a Pension Scheme and a MPF Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees. The employees of the subsidiaries in the PRC participate in the state-managed retirement benefits schemes operated by the relevant local government authority in the PRC. The subsidiaries are required to make contributions to the schemes at a certain percentage of the basic salaries of their employees. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to the consolidated income statement of approximately HK$1,745,000 (2014: approximately HK$1,755,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

No employer's contribution was forfeited during the year. No unutilised forfeited contribution (2014: Nil) was available at 31 December 2015 to reduce the Group's future contributions.

The Group does not have any other pension scheme for its employees. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2015 in respect of the retirement of its employees.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 66.5% of the total sales for the year and sales to the largest customer included therein accounted for approximately 36.5%. Purchases from the Group's five largest suppliers accounted for approximately 28.3% of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 10.0%.

None of the directors of the Company or any of their associates or any shareholders (which to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Hui Kee Fung *(Chairman)*
Mr. Sao Cheung Yung, Aaron *(Vice Chairman)* *(appointed on 9 November 2015)*
Mr. Yu Won Kong, Dennis *(Chief Executive Officer)*
Mr. Cheung Kai Fung *(retired on 1 June 2015)*
Mr. Long Tien Ian *(resigned on 23 March 2016)*
Mr. Mtafi Rachid Rene *(appointed on 1 June 2015 and resigned on 26 February 2016)*
Mr. Nojiri Makoto *(appointed on 9 November 2015)*
Mr. Yip Kong Nam *(appointed on 1 June 2015)*
Mr. Zhang Qijun *(appointed on 4 March 2016)*

Non-executive director:

Mr. Lam Kit Sun

Independent non-executive directors:

Mr. Lam Siu Lun, Simon *(resigned on 20 February 2016)*
Mr. So Chun Pong, Ricky
Mr. Wang Xiao Ning *(appointed on 1 June 2015)*
Mr. Xia Liming *(appointed on 5 February 2016)*
Mr. Zhang Xianmin *(retired on 1 June 2015)*

The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's articles of association.

According to articles 87(1) and 87(2) of the Company's articles of association (the "**Articles**"), at each annual general meeting of the Company, one-third of the directors of the Company for the time being (or, if such number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director of the Company shall be subject to retirement by rotation at least once every three years. A retiring director of the Company shall be eligible for re-election.

In accordance with Article 86(3), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number) and shall then be eligible for re-election at that meeting.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and of the senior management of the Group are set out on pages 13 to 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Hui Kee Fung renewed his service contract with the Company and continued to serve as an executive director and the chairman of the Company for a term of two years from 1 July 2015 to 30 June 2017, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Sao Cheung Yung, Aaron entered into his service contract with the Company to serve as an executive director and the vice chairman of the Company for a term of two years from 9 November 2015 to 8 November 2017, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Yu Won Kong, Dennis entered into his service contract with the Company to serve as an executive director and the chief executive officer of the Company for a term of two years from 22 October 2015 to 21 October 2017, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Nojiri Makoto entered into a service contract with the Company to serve as an executive director of the Company for a term of two years from 9 November 2015 to 8 November 2017, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Yip Kong Nam entered into a service contract with the Company to serve as an executive director of the Company for a term of two years from 1 June 2015 to 31 May 2017, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Mr. Zhang Qijun entered into a service contract with the Company to serve as an executive director of the Company for a term of two years from 4 March 2016 to 3 March 2018, which may be terminated by either party thereto by giving to the other three months' prior notice in writing.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

TERM OF NON-EXECUTIVE DIRECTORS

Mr. Lam Kit Sun renewed his service contract with the Company and continued to serve as a non-executive director of the Company for a term of one year from 1 August 2015 to 31 July 2016, which may be terminated by either party thereto by giving to the other one month prior notice in writing.

Each of the independent non-executive directors is appointed for a fixed term of two years as follows:

Name of directors	Term period
Mr. So Chun Pong, Ricky	31 May 2015 to 30 May 2017
Mr. Wang Xiao Ning	1 June 2015 to 31 May 2017
Mr. Xia Liming	5 February 2016 to 4 February 2018

DIRECTORS' INTERESTS IN CONTRACTS

Save for transactions as disclosed in notes 29(a)(ii) and 38(iv) to the consolidated financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2015, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures ordinance (the "**SFO**")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities transactions by Directors of Listed Companies (the "**Model Code**") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the Company

Name of director	Number or attributable number of shares held or short positions	Capacity: Interest of controlled corporation	Capacity: Interest of child under 18 or spouse	Capacity: Beneficial owner	Approximate percentage or attributable percentage of shareholdings
Hui Kee Fung *(Note)*	178,500,000	153,500,000	—	25,000,000	5.04%
Yu Won Kong, Dennis	128,107,364	—	2,900,000	125,207,364	3.61%
Long Tien Ian *(resigned on 23 March 2016)*	19,000,000	—	—	19,000,000	0.54%
Mtafi Rachid Rene *(resigned on 26 February 2016)*	3,000,000	—	—	3,000,000	0.08%
Yip Kong Nam	2,000,000	—	—	2,000,000	0.06%

Note: Legend Win Profits Limited is a company incorporated in the British Virgin Islands. The issued share capital of Legend Win Profits Limited is beneficially owned by Hui Kee Fung, and Hui's K. K. Foundation Limited as to 38.95% and 5.26%, respectively. Hui's K. K. Foundation Limited is a company incorporated in Hong Kong, limited by guarantee and does not have a share capital. Hui Kee Fung is the registered member and director of Hui's K. K. Foundation Limited.

Save as disclosed above and under the heading "Substantial Shareholders" below, none of the directors of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, none of the directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' Interests in Shares" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates two share option schemes, namely the 2012 Share Option Scheme and the 2013 Share Option Scheme (collectively, the "**Share Option Schemes**") for the purpose of providing incentives and rewards to eligible participants who are invited at directors' discretion. The 2012 Share Option Scheme became effective on 28 May 2002 and was expired on 27 May 2012. Notwithstanding the expiration of the 2012 Share Option Scheme, its provisions would remain in force in all respects with respect to the outstanding share options granted under the 2012 Share Option Scheme. Due to the expiry of the 2012 Share Option Scheme, the Company adopted the 2013 Share Option Scheme which became effective on 31 May 2013.

Eligible participants, including executive directors, non-executive directors, shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the development of the Group are invited to take up options to subscribe for the shares. The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares on the date of the offer; (ii) the average closing price of the shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the share on the date of offer.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Schemes and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the 2013 Share Option Scheme shall not, in aggregate, exceed 10% of the total number of shares in issue as at 31 May 2013. For the avoidance of doubt, the outstanding share options granted under the 2012 Share Option Scheme would not be counted for the purpose of calculating such 10% limit. The Company may seek approval of the Company's shareholders in general meeting for refreshing the 10% limit under the 2013 Share Option Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the 2013 Share Option Scheme under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where any further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

The following table discloses movements in the outstanding share options granted under the Share Option Schemes during the year:

		Number of share options							
Grantee	Date of grant	Outstanding at 1 January 2015	Granted during the year	Cancelled during the year	Lapsed during the year	Reclassification	Outstanding at 31 December 2015	Exercise price HK$	Exercise Period
(Executive directors)									
Yu Won Kong, Dennis	29 March 2012	5,900,000	–	–	(5,900,000)	–	–	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	5,900,000	–	–	(5,900,000)	–	–	0.3865	29 March 2012 to 28 March 2015
	1 September 2014	2,200,000	–	–	–	–	2,200,000	0.4000	1 September 2014 to 31 August 2019
	14 July 2015	–	20,000,000	–	–	–	20,000,000	0.2320	14 July 2015 to 13 July 2018
Hui Kee Fung	29 March 2012	1,200,000	–	–	(1,200,000)	–	–	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	1,200,000	–	–	(1,200,000)	–	–	0.3865	29 March 2012 to 28 March 2015
	1 September 2014	5,000,000	–	–	–	–	5,000,000	0.4000	1 September 2014 to 31 August 2019
	14 July 2015	–	20,000,000	–	–	–	20,000,000	0.2320	14 July 2015 to 13 July 2018
Cheung Kai Fung	29 March 2012	900,000	–	–	(900,000)	–	–	0.3220	29 March 2012 to 28 March 2015
(retired on 1 June 2015)	29 March 2012	900,000	–	–	(900,000)	–	–	0.3865	29 March 2012 to 28 March 2015
	1 September 2014	3,000,000	–	–	–	(3,000,000)	–	0.4000	1 September 2014 to 31 August 2019
Long Tien Ian	1 September 2014	4,700,000	–	–	–	–	4,700,000	0.4000	1 September 2015 to 31 August 2019
(resigned on 23 March 2016)	1 September 2014	4,700,000	–	–	–	–	4,700,000	0.4000	1 September 2016 to 31 August 2019
	1 September 2014	4,600,000	–	–	–	–	4,600,000	0.4000	1 September 2017 to 31 August 2019
	14 July 2015	–	5,000,000	–	–	–	5,000,000	0.2320	14 July 2015 to 13 July 2018
Mtafi Rachid Rene (resigned on 26 February 2016)	14 July 2015	–	3,000,000	–	–	–	3,000,000	0.2320	14 July 2015 to 13 July 2018
Yip Kong Nam	14 July 2015	–	2,000,000	–	–	–	2,000,000	0.2320	14 July 2015 to 13 July 2018
(Independent non-executive directors)									
Lam Siu Lun, Simon (resigned	29 March 2012	900,000	–	–	(900,000)	–	–	0.3220	29 March 2012 to 28 March 2015
on 20 February 2016)	29 March 2012	900,000	–	–	(900,000)	–	–	0.3865	29 March 2012 to 28 March 2015
Zhang Xianmin	29 March 2012	900,000	–	–	(900,000)	–	–	0.3220	29 March 2012 to 28 March 2015
(retired on 1 June 2015)	29 March 2012	900,000	–	–	(900,000)	–	–	0.3865	29 March 2012 to 28 March 2015
Employees	19 June 2006	8,886,120	–	(120)	–	–	8,886,000	0.5080	1 January 2007 to 18 June 2016
	5 July 2007	660,000	–	–	–	–	660,000	3.7000	1 July 2008 to 18 June 2016
	29 March 2012	4,000,000	–	–	(4,000,000)	–	–	0.3220	29 March 2012 to 28 March 2015
	29 March 2012	5,000,000	–	–	(5,000,000)	–	–	0.3865	29 March 2012 to 28 March 2015
	1 September 2014	94,800,000	–	–	–	3,000,000	97,800,000	0.4000	1 September 2014 to 31 August 2019
	14 July 2015	–	193,000,000	–	–	–	193,000,000	0.2320	14 July 2015 to 13 July 2018
	20 July 2015	–	4,000,000	–	–	–	4,000,000	0.2250	20 July 2015 to 19 July 2018
Non-employees	1 September 2015	–	4,800,000	–	–	–	4,800,000	0.1308	1 September 2015 to 31 August 2018
Total		157,146,120	251,800,000	(120)	(28,600,000)	–	380,346,000		

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 December 2015, the persons or companies (other than a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position in the shares of the Company

Name of shareholders	Number of shares or underlying approximate shareholding	Capacity		
		Beneficial owner	Interest of child under 18 or spouse	Interest of controlled corporation
Buer Gude	506,666,666 14.30%	—	—	506,666,666
Delight Grace Limited	506,666,666 14.30%	506,666,666	—	—

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to date of this report, no directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is available to the Company and within the knowledge of the directors, there is sufficient public float of more than 25% of the Company's issued shares as at the date of this report.

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 24 to 29 of this annual report.

INDEPENDENT CONFIRMATION

The Company has received, from each independent non-executive director, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 40 to the consolidated financial statements.

AUDITOR

On 11 December 2015, PricewaterhouseCoopers resigned as auditor of the Company and the Board proposed to appoint Cheng & Cheng Limited as the auditor of the Company to fill the vacancy following the resignation of PricewaterhouseCoopers and to hold office until the conclusion of the forthcoming annual general meeting of the Company. Pursuant to the Company's articles of association, such proposed appointment was approved by shareholders of the Company at an extraordinary general meeting of the Company held on 30 December 2015.

Cheng & Cheng Limited will retire and a resolution for its reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Hui Kee Fung
Chairman

Hong Kong, 31 March 2016

CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance. Throughout the year of 2015, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 "Corporate Governance Code and Corporate Governance Report" of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry, all directors have fully complied with the required standard set out in the Model Code throughout the year of 2015.

BOARD OF DIRECTORS

As at 31 December 2015, the Board currently comprises seven executive directors, one non-executive director and three independent non-executive directors. For a director to be considered independent, the Board follows the requirements set out in the Listing Rules and must determine that the director does not have any direct or indirect material relationship with the Group. under the Company's Articles of Association, every director is subject to retirement by rotation at least once every three years and their re-election is subject to a vote by the shareholders. All independent non-executive directors are appointed for a specific terms.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the executive directors. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic and financial policies including dividend policy, material contracts and major investments. All Board members have separate and independent access to the Group's senior management to fulfill their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group's expense upon their request.

As at the date of this report, the Company appointed three independent non-executive directors, namely, Mr. So Chun Pong, Ricky ("**Mr. So**"), Mr. Wang Xiao Ning ("**Mr. Wang**"), and Mr. Xia Liming ("**Mr. Xia**") who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Mr. So was appointed for a term of two years commencing from 31 May 2015, Mr. Wang was appointed for a term of two years commencing from 1 June 2015, and Mr. Xia was appointed for a term of two years commencing from 5 February 2016.

However, under the Rule 3.10A of the Listing Rules, the Company must appoint independent non-executive directors representing at least one-third of the Board. As at the date of this report, the Board comprises ten directors, of which three are independent non-executive Directors. The current number of independent non-executive Directors in the Company, therefore, falls below the requirement under the Listing Rules. The Board is currently identifying suitable candidate to fill the vacancy and will ensure that an additional independent non-executive director will be appointed as soon as practicable and within three months from 20 February 2016 in order to ensure the compliance by the Company with this Rule.

The Company arranged for appropriate insurance cover in respect of legal actions against directors.

Board meets regularly to review the financial and operating performance of the Group, to make important decisions and to approve future strategies. 48 Board meetings were held in 2015. Individual attendance of each director at the Board meetings, the Audit Committee meetings, the Nomination Committee meeting, the Remuneration Committee meetings and the general meetings of the Company during 2015 is set out below:

	Attendance/number of meetings				
Director	**Board**	**Audit committee**	**Nomination committee**	**Remuneration committee**	**General meeting**
Executive directors					
Mr. Hui Kee Fung *(Chairman)*	45/48	N/A	2/2	2/2	3/3
Mr. Sao Cheung Yung *(Vice Chairman)* *(appointed on 9 November 2015)*	5/5	N/A	N/A	N/A	2/2
Mr. Yu Won Kong, Dennis *(Chief Executive Officer)*	48/48	N/A	N/A	N/A	3/3
Mr. Cheung Kai Fung *(retired on 1 June 2015)*	20/20	N/A	N/A	N/A	1/1
Mr. Long Tien Ian *(resigned on 23 March 2016)*	47/48	N/A	N/A	N/A	3/3
Mr. Mtafi Rachid Rene *(appointed on 1 June 2015 and resigned on 26 February 2016)*	26/28	N/A	N/A	N/A	2/2
Mr. Nojiri Makoto *(appointed on 9 November 2015)*	4/5	N/A	N/A	N/A	0/2
Mr. Yip Kong Nam *(appointed on 1 June 2015)*	20/28	N/A	N/A	N/A	2/2
Non-executive director					
Mr. Lam Kit Sun *(resigned on 23 March 2016)*	42/48	N/A	N/A	N/A	3/3
Independent non-executive directors					
Mr. Lam Siu Lun, Simon *(resigned on 20 February 2016)*	42/48	2/2	2/2	2/2	3/3
Mr. So Chun Pong, Ricky	38/48	2/2	2/2	2/2	3/3
Mr. Wang Xiao Ning *(appointed on 1 June 2015)*	28/28	1/1	1/1	1/1	0/2
Mr. Zhang Xianmin *(retired on 1 June 2015)*	13/20	1/1	1/1	1/1	0/1

To implement the strategies and plans adopted by the Board effectively, directors and senior management meet regularly to review the performance of the businesses of the Group and make financial and operational decisions.

Biographical details of the directors, together with information about the relationship among them, can be found under the Profile of Directors and Senior Management section on pages 13 to 14 of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Group has appointed Mr. Hui Kee Fung as the Chairman and Mr. Yu Won Kong, Dennis as the Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer are segregated. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

REMUNERATION COMMITTEE

The Remuneration Committee has clear terms of reference and is accountable to the Board. The principle role of the committee is to exercise the powers of the Board to determine and review the remuneration packages of individual executive directors and senior management, considering factors such as salaries paid by comparable companies, time commitment and responsibilities of individuals. The terms of reference of the Remuneration Committee can be obtained from the Company's website.

During the year, the Remuneration Committee reviewed the remuneration policies and approved the salary of directors and senior management. The remuneration of each director is determined by the committee with reference to his/her duties and responsibilities with the Company. No executive director has taken part in any discussion about his own remuneration. Two meetings were held by the Remuneration Committee in 2015. Three out of Four of the committee members are independent non-executive directors of the Company. Its members as at 31 December 2015 include:

Mr. Lam Siu Lun, Simon — *Chairman*
Mr. Hui Kee Fung
Mr. So Chun Pong, Ricky
Mr. Wang Xiao Ning

On 20 February 2016, Mr. Lam Siu Lun, Simon, tendered his resignation as an independent non-executive director. He also ceased to act as the chairman of the remuneration committee of the Company. The Board is currently identifying suitable candidate to fill the vacancy and will ensure that an additional independent non-executive director will be appointed as soon as practicable and within three months from 20 February 2016 in order to ensure the compliance by the Company with this Rule.

Directors' remunerations for the year are disclosed in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee has clear terms of reference and is accountable to the Board. The principle role of the committee is to exercise the powers of the Board to review the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis and make recommendations to the Board regarding any proposed change. The terms of reference of the Nomination Committee can be obtained from the Company's website. Two meetings were held by the nomination committee in 2015.

The Board adopted a Board Diversity Policy in August 2013 setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. It endeavours to ensure that the Board has a balance of, amongst other factors, skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be made on a merit basis, and candidates will be considered against a range of selection criteria, having regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time. Three out of Four of the committee members are independent non-executive directors of the Company. Its members as at 31 December 2015 include:

Mr. Wang Xiao Ning — *Chairman*
Mr. Hui Kee Fung
Mr. Lam Siu Lung, Simon
Mr. So Chun Pong, Ricky

On 20 February 2016, Mr. Lam Siu Lun, Simon, tendered his resignation as an independent non-executive director. He also ceased to act as the member of the Nomination Committee of the Company.

AUDIT COMMITTEE

The Audit Committee has clear terms of reference and is accountable to the Board. The committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The terms of reference of the Audit Committee can be obtained from the Company's website. Two meetings were held by the Audit Committee in 2015. All committee members are independent non-executive directors. Its members as at 31 December 2015 include:

Mr. Lam Siu Lun, Simon — *Chairman*
Mr. So Chun Pong, Ricky
Mr. Wang Xiao Ning

The committee members possess diversified industry experience and the Chairman of the committee has appropriate professional qualifications and experience in accounting matters. During the year, the committee considered the external auditors' re-appointment and their projected audit fees, reviewed the interim and annual financial statements and reviewed the Group's risk management and internal control systems.

On 20 February 2016, Mr. Lam Siu Lun, Simon, tendered his resignation as the independent non-executive director. He also ceased to act as the chairman of the audit committee of the Company. As at the date of this report, the Company has only two audit committee members, namely, Mr. So Chun Pong, Ricky and Mr. Wang Xiao Ning. As a result, the current number of audit committee members falls below the minimum number required under Rule 3.21 of the Listing Rules. The Board is currently identifying suitable candidate to fill the vacancy and will ensure that an additional independent non-executive director will be appointed as soon as practicable and within three months from 20 February 2016 in order to ensure the compliance by the Company with this Rule.

AUDITOR'S REMUNERATION

During the year, the Group has incurred auditor's remuneration of HK$1,500,000 (2014: HK $2,400,000) all of which was paid/payable to the Company's existing auditor, Cheng & Cheng Limited. In addition, professional fee of approximately HK$48,000 (2014: HK$122,000) was payable by the Group for the taxation and other services rendered by Cheng & Cheng Limited.

COMPANY SECRETARY

Ms. Lo Oi Ling joined the Group and was appointed as the Company Secretary of the Company since 1 December 2015. In her capacity acting as the company secretary of the Company, Ms. Lo reports to the Board and is responsible for advising the Board on corporate governance matters. Ms. Lo has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

On 16 February 2016, Ms. Lo has tendered her resignation as the Company Secretary of the Company with effect from 17 February 2016. As at the date of this report, the Company is still in the process of identifying suitable candidate to fill in the vacancy of Company Secretary of the Company.

SHAREHOLDERS' RIGHTS

The Board may whenever it thinks fit call extraordinary general meetings. Any 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails 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.

PROCEDURE BY WHICH ENQUIRIES PUT TO THE BOARD

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's principal place of business in Hong Kong or via email to info@kh381.com.

INVESTOR RELATIONS

The Company highly values its relationship with its shareholders and other stakeholders. It has put in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its shareholders and other stakeholders. The main features of the system are as follows:

- The Company maintains a corporate website www.kh381.com on which comprehensive information about the Group, including core business, financial reports, public announcements, circulars and news of the Group, is disclosed. Shareholders can obtain corporate communication electronically via the Company's website.

- The Company establishes and maintains different communication channels with its shareholders and other stakeholders through annual reports, interim reports and other publication.

- AGM provides a useful forum for shareholders to exchange views with the Board. The respective chairmen of the Board and Audit, Remuneration and Nomination Committees (or in the absence of the chairmen of such Committees, another member of each Committee or failing this his duly appointed delegate) will endeavor to be available to answer questions raised by shareholders.

- Separate resolutions are proposed at general meetings for each substantially separate issue, including the election of individual Directors.

- Details of the proposed resolutions to be put forward at a general meeting are, where necessary or appropriate, included in a circular to the shareholders dispatched prior to the date of the relevant general meeting.

- All resolutions put to the vote of a general meeting are taken by poll. The poll results are published on the Stock Exchange's website www.hkexnews.hk and on the Company's website.

In addition, the Company has established the investor relations department with designated senior management for maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from shareholders and other stakeholders are dealt with in an informative and timely manner.

Shareholders and other stakeholders may write directly to the Company at its principal place of business in Hong Kong or via email to info@kh381.com for any enquiries. The shareholders' communication policy is available on the Company's website www.kh381.com under the "Investor Relations/Corporate Governance" section.

RISK MANAGEMENT & INTERNAL CONTROLS

The Group's risk management and internal control systems are designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss rather than the elimination of risks associated with its business activities.

The Board is responsible for maintaining an adequate systems of risk management and internal control for the Group and the directors of the Company have conducted a review of their effectiveness during the year.

FINANCIAL REPORTING

The directors of the Company acknowledge their responsibility for preparing the Group's and the Company's financial statements in accordance with generally accepted accounting standards published by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies are being selected and applied consistently.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditor's Report on pages 30 to 31 of this annual report.

GOING CONCERN

At 31 December 2015, the Group's current liabilities exceeded its current assets by approximately HK$63,607,000 and the Group recorded a loss of approximately HK$87,252,000 and a net operating cash outflow of approximately HK$35,647,000 during the year ended 31 December 2015. In addition, up to the date of the approval of the consolidated financial statements, the Group has entered into agreements for certain business and asset acquisitions. Pursuant to the terms of these agreements, the Group has committed a minimum HK$123,500,000 to be settled within the next twelve months from 31 December 2015. All of these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

(1) The Group is in negotiation with financial institutions to obtain sufficient new borrowings and to extend existing borrowings upon their maturities;

(2) The Group is in negotiation with its creditors to extend payment due dates; and

(3) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2015. The directors of the Company are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2015. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Our ability to successfully implement the above-mentioned measures is subject to various factors, including but not limited to our future operating performance, market conditions, our ability to issue new shares to fund current and prospective operating and investing activities and other factors, many of which are beyond our control and cannot be predicted with certainty. In the future, if sufficient funds are unavailable to meet our needs or refinancing cannot be obtained on commercially acceptable terms, if at all, then we may not be able to repay our borrowings, particularly our short-term borrowings, upon maturity. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The consolidated financial statements do not include any of these adjustments.

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司

TO THE SHAREHOLDERS OF KIU HUNG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of Kiu Hung International Holdings Limited ("**the Company**") and its subsidiaries (together, the "**Group**") set out on pages 33 to 127, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. However, because of the matters as described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Prepayment, deposits and other receivables

Included in the prepayment, deposits and other receivables of HK$126,785,000 stated in the consolidated statement of financial position as at 31 December 2015 there are deposits paid amounting to HK$101,868,000. The Group entered into a property agency agreement with a property developer regarding a property development project in Nanjing, the PRC. The deposits were paid in accordance with the terms of the agreement. The agreement confers to the Group the exclusive right to market the property after the Pre-sale Permits is obtained from the relevant authority. Subsequently, the developer was found to be involved in a number of litigations. Up to the date of approval of these consolidated financial statements, the Group is still assessing the progress of property development. In the absence of sufficient appropriate audit evidence to verify the financial ability of the developer, we were unable to ascertain the recoverability of such deposits. There were no alternative audit procedures that we could perform to satisfy ourselves as to carrying amount of the deposits or to determine whether any provision for impairment loss is necessary. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of the Group as at 31 December 2015, its net loss for the year then ended, and the related disclosures in the consolidated financial statements.

Available-for-sales financial assets

During the year, the Group has acquired 19% equity interest of USO Management & Holding Co Ltd.. Due to the limitation in the scope of our audit in relation to ascertainment of the present value of estimated future cash flow from such investment, we were unable to satisfy ourselves as to the carrying value of such financial assets stated in the consolidated statement of financial position at HK$93,338,000 as at 31 December 2015. There were no alternative audit procedure that we could perform to satisfy ourselves as to carrying amount of available-for-sales financial assets or to determine whether any provision for impairment loss is necessary as at 31 December 2015. Any adjustments that might have been found to be necessary in respect of the above would have a consequential effect on the net assets of the Group as at 31 December 2015 and of its net loss for the year then ended and the related disclosures in the consolidated financial statements.

Investment in associates

During the year ended 31 December 2014, the Group completed the acquisition of 28% equity interest in Multijoy Developments Limited ("**Multijoy**"), which principally engaged in the plantation business in the PRC, as disclosed in note 18 to the consolidated financial statements, the acquisition agreement entitled the Group to the share of economic benefits or losses from the holding of forestry concession rights in relation to a forest land situated in the PRC. Before the acquisition, Multijoy had appointed an independent third party under a cooperation agreement as operator of tangerine plantation business on this forest land in exchange of a fixed royalty income for five consecutive years, starting from 1 April 2013.

During the course of our audit, evidence obtained by us indicated that Multijoy failed to collect the royalty income mentioned above. Due to such event, we were unable to obtain sufficient appropriate audit evidence regarding the value-in-use of the forest land as at the end of the reporting period. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of the Group as at 31 December 2015, its net loss for the year then ended and the related disclosures in the consolidated financial statements.

As also disclosed in note 18 to the consolidated financial statements, the Group completed the acquisition of 20% equity interest in Eagle Praise Limited ("**Eagle Praise**") during the year. According to the relevant agreement, a wholly-owned subsidiary of Eagle Praise would engage in providing travel related products to Samoa. During the course of our audit, we were unable to obtain relevant financial information from Eagle Praise to support the fair value determination of the acquisition. There were no alternative audit procedures we could perform to satisfy ourselves that there were no impairment indicators existing as at the date of acquisition and the end of the reporting period. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of the Group as at 31 December 2015, its net loss for the year then ended and the related disclosures in the consolidated financial statements.

Material uncertainty relating to the going concern basis

The Group incurred a consolidated loss after tax of HK$87,252,000 and had net cash outflows used in operating activities of approximately HK$35,647,000 during the year ended 31 December 2015 with net current liabilities of HK$63,607,000 as at 31 December 2015.

As explained in the basis of preparation set out in note 2 to the consolidated financial statements, the consolidated financial statements had been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group as described in note 2 to the consolidated financial statements. However, we are unable to obtain sufficient appropriate audit evidence regarding the continuing provision of financing and the future income generated from the investments, the successful implementation and outcome of the measures and therefore on the appropriateness of the use of the going concern assumption adopted for the preparation of the consolidated financial statements. In view of the extent of the material uncertainties relating to the successful implementation and outcome of the measures to be undertaken by the Group as mentioned above which might cast a significant doubt on the Group's ability to continue as a going concern, we were unable to express an opinion whether the going concern basis is appropriate for the preparation of the consolidated financial statements.

Should the Group be not able to continue its business as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The necessary consequential adjustments have not been incorporated in the consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Cheng & Cheng Limited
Certified Public Accountants

Tong Yat Hung
Practising Certificate number P01055

Hong Kong
31 March 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Turnover	6	**223,313**	229,022
Cost of sales		**(143,645)**	(155,446)
Gross profit		**79,668**	73,576
Other income	6	**7,645**	1,810
Selling and distribution costs		**(36,575)**	(33,060)
Administrative expenses		**(119,195)**	(81,329)
Other gains/(losses), net		**1,515**	(1,158)
Operating loss		**(66,942)**	(40,161)
Finance costs	7	**(14,683)**	(11,022)
		(81,625)	(51,183)
Provision for impairment of investment in an associate	18	**—**	(453,886)
Share of result of associates/an associate	18	**(3,769)**	(3,896)
Loss before income tax		**(85,394)**	(508,965)
Income tax (expense)/credit	8	**(1,858)**	293
Loss for the year	9	**(87,252)**	(508,672)
(Loss)/profit attributable to:			
— equity holders of the Company		**(89,665)**	(509,606)
— non-controlling interests		**2,413**	934
		(87,252)	(508,672)
		HK cents	HK cents
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per share	10	**(2.95)**	(31.58)

The notes on pages 41 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Loss for the year	**(87,252)**	(508,672)
Other comprehensive (loss)/income:		
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of properties	**3,047**	176
Deferred income tax expense arising on revaluation of properties	**(562)**	(259)
Items that may be reclassified to profit or loss:		
Exchange difference arising from translation of foreign operations	**(12,751)**	(537)
Other comprehensive loss for the year, net of tax	**(10,266)**	(620)
Total comprehensive loss for the year	**(97,518)**	(509,292)
Total comprehensive (loss)/income attributable to:		
— equity holders of the Company	**(99,931)**	(510,226)
— non-controlling interests	**2,413**	934
	(97,518)	(509,292)

The notes on pages 41 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	13	**63,991**	66,783
Prepaid land lease payments	14	**4,149**	4,526
Investment properties	15	**10,950**	10,100
Exploration and evaluation assets	16	**139,178**	147,805
Other intangible asset	17	**1,047**	1,059
Investment in associates/an associate	18	**257,499**	143,339
Available-for-sale financial assets	20	**93,338**	—
Deferred income tax assets	31	**308**	377
Rental deposits		**2,222**	2,824
		572,682	376,813
Current assets			
Inventories	21	**51,487**	15,640
Trade and bills receivables	22	**42,686**	33,513
Prepayments, deposits and other receivables	23	**126,785**	15,071
Income tax recoverable		**38**	613
Bank and cash balances	24	**13,755**	20,127
		234,751	84,964
Total assets		**807,433**	461,777
Current liabilities			
Trade payables	25	**17,330**	17,119
Accruals and other payables		**51,899**	37,185
Income tax payable		**579**	393
Promissory notes	26	**144,930**	—
Derivative financial liabilities	27	**9,403**	—
Obligation under finance leases	28	**155**	—
Borrowings	29	**74,062**	63,846
		298,358	118,543
Net current liabilities		**(63,607)**	(33,579)
Total assets less current liabilities		**509,075**	343,234

	Note	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Convertible bonds	*30*	**—**	20,207
Promissory notes	*26*	**78,270**	—
Deferred income tax liabilities	*31*	**29,100**	29,836
Obligation under finance leases	*28*	**677**	—
		108,047	50,043
Net assets		**401,028**	293,191
Equity			
Share capital	*32*	**354,391**	257,838
Reserves		**35,207**	26,336
Equity attributable to equity holders of the Company		**389,598**	284,174
Non-controlling interests		**11,430**	9,017
Total equity		**401,028**	293,191

The notes on pages 41 to 127 are an integral part of these consolidated financial statements.

The financial statements on pages 33 to 127 were approved by the board of directors of the Company on 31 March 2016 and were signed on its behalf.

Hui Kee Fung
Director

Yu Won Kong, Dennis
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Company											
	Share capital HK$'000	Share premium HK$'000	Statutory surplus HK$'000	Contributed surplus HK$'000	Foreign currency translation reserve HK$'000	Share-based payment reserve HK$'000	Property revaluation reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	119,386	984,947	4,371	303	104,311	7,393	39,002	–	(1,128,338)	131,375	8,083	139,458
Total comprehensive (loss)/income for the year	–	–	–	–	(537)	–	(83)	–	(509,606)	(510,226)	934	(509,292)
Transaction with equity holders												
Issue of shares upon exercise of share options	365	1,387	–	–	–	(422)	–	–	–	1,330	–	1,330
Issue of shares on placements	27,420	37,058	–	–	–	–	–	–	–	64,478	–	64,478
Issue of convertible bonds	–	–	–	–	–	–	–	329,034	–	329,034	–	329,034
Issue of shares upon conversion of convertible bonds	70,667	255,577	–	–	–	–	–	(256,453)	–	69,791	–	69,791
Issue of Consideration Shares	40,000	144,000	–	–	–	–	–	–	–	184,000	–	184,000
Recognition of share-based payment	–	–	–	–	–	14,392	–	–	–	14,392	–	14,392
Transfer to reserve	–	–	23	–	–	–	–	–	(23)	–	–	–
Total transactions with equity holders	138,452	438,022	23	–	–	13,970	–	72,581	(23)	663,025	–	663,025
At 31 December 2014	257,838	1,422,969	4,394	303	103,774	21,363	38,919	72,581	(1,637,967)	284,174	9,017	293,191
At 1 January 2015	**257,838**	**1,422,969**	**4,394**	**303**	**103,774**	**21,363**	**38,919**	**72,581**	**(1,637,967)**	**284,174**	**9,017**	**293,191**
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**(12,751)**	**–**	**2,485**	**–**	**(89,665)**	**(99,931)**	**2,413**	**(97,518)**
Transaction with equity holders												
Issue of shares on placements	**6,720**	**4,668**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,388**	**–**	**11,388**
Issue of convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24,087**	**–**	**24,087**	**–**	**24,087**
Issue of shares upon conversion of convertible bonds	**69,933**	**127,216**	**–**	**–**	**–**	**–**	**–**	**(96,668)**	**–**	**100,481**	**–**	**100,481**
Issue of Consideration Shares	**19,900**	**19,750**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**39,650**	**–**	**39,650**
Recognition of share-based payment	**–**	**–**	**–**	**–**	**–**	**29,749**	**–**	**–**	**–**	**29,749**	**–**	**29,749**
Release on expiry/forfeiture of share option	**–**	**–**	**–**	**–**	**–**	**(2,736)**	**–**	**–**	**2,736**	**–**	**–**	**–**
Transfer to reserve	**–**	**–**	**104**	**–**	**–**	**–**	**–**	**–**	**(104)**	**–**	**–**	**–**
Total transactions with equity holders	**96,553**	**151,634**	**104**	**–**	**–**	**27,013**	**–**	**(72,581)**	**2,632**	**205,355**	**–**	**205,355**
At 31 December 2015	**354,391**	**1,574,603**	**4,498**	**303**	**91,023**	**48,376**	**41,404**	**–**	**(1,725,000)**	**389,598**	**11,430**	**401,028**

The notes on pages 41 to 127 are an integral part of these consolidated financial statements.

Notes:

(a) Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are 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 they fall due in the ordinary course of business.

(b) In accordance with the relevant regulations of the People's Republic of China (the "PRC"), the subsidiaries of the Group registered in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant regulations and the articles of association of these PRC subsidiaries, the statutory reserve may be used to offset the accumulated losses, or for capitalisation as paid-up capital of the subsidiaries.

(c) The contributed surplus of the Group represents the excess of the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the group reorganisation prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited over the nominal value of Company's shares issued in exchange thereof.

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

(e) Share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to certain directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for share-based payment reserve in note 3 to the consolidated financial statements.

(f) The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings in note 3 to the consolidated financial statements.

(g) The convertible bonds equity reserve has been set up and is dealt with in accordance with the accounting policies adopted for convertible bonds in note 3 to the consolidated financial statements.

	Note	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Loss before income tax		**(85,394)**	(508,965)
Adjustments for:			
Amortisation of other intangible assets	*17*	**12**	11
Amortisation of prepaid land lease payments	*14*	**118**	120
Depreciation of property, plant and equipment	*13*	**5,309**	5,279
Provision for impairment of trade receivables	*22*	**64**	87
Provision for impairment of other receivables		**2,589**	394
Provision for impairment of investment in an associate	*18*	**—**	453,886
Gain on bargain purchase	*6*	**(4,200)**	—
Fair value gain on investment properties	*15*	**(698)**	(32)
Interest expenses		**14,683**	11,022
Interest income		**(5)**	(10)
Write-off and loss on disposals of property, plant and equipment		**905**	412
Write-back of provision for inventory obsolescence		**(419)**	(1,625)
Share of result of associates/an associate	*18*	**3,769**	3,896
Share-based payment expenses		**29,748**	14,392
Operating loss before working capital changes		**(33,519)**	(21,133)
Changes in inventories		**(604)**	8,796
Changes in trade receivables		**1,312**	(12,321)
Changes in bills receivables		**(10,774)**	(2,570)
Changes in prepayments, deposits and other receivables		**(12,051)**	(9,425)
Changes in trade payables		**1,007**	2,808
Changes in trust receipt loans		**9,239**	(3,760)
Changes in accruals and other payables		**15,771**	(2,163)
Cash used in operations		**(29,619)**	(39,768)
Interest paid		**(5,060)**	(9,111)
Income taxes paid, net		**(968)**	(1,757)
Net cash used in operating activities		**(35,647)**	(50,636)

	Note	2015 HK$'000	2014 HK$'000
Cash flows from investing activities			
Interest received		**5**	10
Purchases of property, plant and equipment	*13*	**(1,692)**	(5,105)
Net cash used in investing activities		**(1,687)**	(5,095)
Cash flows from financing activities			
Bank and other loans raised		**136,898**	114,581
Repayment of bank and other loans		**(110,468)**	(122,882)
Proceeds from exercise of share options		**—**	1,330
Proceeds from share placements	*32*	**11,693**	65,931
Costs for issuing shares on placements		**(305)**	(1,453)
Repayment of promissory notes		**(6,500)**	—
Repayment of obligation under finance leases		**(39)**	—
Net cash generated from financing activities		**31,279**	57,507
Net (decrease)/increase in cash and cash equivalents		**(6,055)**	1,776
Cash and cash equivalents at 1 January		**20,127**	18,603
Effect of foreign exchange rate changes		**(317)**	(252)
Cash and cash equivalents at 31 December		**13,755**	20,127
Analysis of the balances of cash and cash equivalents at 31 December			
Bank and cash balances	*24*	**13,755**	20,127

For significant non-cash transactions arising during the year, refer to note 26, 32(c) and note 32(d) to the consolidated financial statements.

The notes on pages 41 to 127 are an integral part of these consolidated financial statements

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 20/F., Hong Kong Diamond Exchange Building, 8–10 Duddell Street, 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 Group is principally engaged in the manufacturing and trading of toys and gifts items, exploration of natural resources and the investment in various potential businesses including fruit plantation, leisure and culture.

These financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 31 March 2016.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the applicable requirements of the Hong Kong Companies Ordinance for this financial year and the comparative period.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain buildings and investment properties which are carried at their fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise its judgement in the process of applying the Group's accounting policies.

2.1 Going Concern

At 31 December 2015, the Group's current liabilities exceeded its current assets by approximately HK$63,607,000 and the Group recorded a loss of approximately HK$87,252,000 and a net operating cash outflow of approximately HK$35,647,000 during the year ended 31 December 2015. In addition, up to the date of the approval of the consolidated financial statements, the Group has entered into agreements for certain business and asset acquisitions. Pursuant to the terms of these agreements, the Group has committed a minimum HK$123,500,000 to be settled within the next twelve months from 31 December 2015. All of these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PREPARATION *(continued)*

2.1 Going Concern *(continued)*

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

(1) The Group is in negotiation with financial institutions to obtain sufficient new borrowings and to extend existing borrowings upon their maturities;

(2) The Group is in negotiation with its creditors to extend payment due dates; and

(3) The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible bonds.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2015. The directors of the Company are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2015. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The Group's ability to successfully implement the above-mentioned measures is subject to various factors, including but not limited to the Group's future operating performance, market conditions, the Group's ability to issue new shares to fund current and prospective operating and investing activities and other factors, many of which are beyond the Group's control and cannot be predicted with certainty. In the future, if sufficient funds are unavailable to meet the Group's needs or refinancing cannot be obtained on commercially acceptable terms, if at all, then the Group may not be able to repay the borrowings, particularly the short-term borrowings, upon maturity. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The consolidated financial statements do not include any of these adjustments.

2. BASIS OF PREPARATION *(continued)*

2.2 Changes in accounting policy and disclosures

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

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

— Annual Improvements to HKFRSs 2010–2012 Cycle

— Annual Improvements to HKFRSs 2011–2013 Cycle

The Group has not applied new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRS are discussed below:

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

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group has no defined benefit plans.

Annual Improvements to HKFRSs 2010–2012 Cycle and 2011–2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related parties' disclosures have been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The group controls an entity when the Group is exposed to, 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(1) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Subsidiaries *(continued)*

(i) Consolidation *(continued)*

(1) Business combinations (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(2) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(3) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Subsidiaries *(continued)*

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of result of an associate' in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Associate *(continued)*

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or expenses'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains — net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Foreign currency translation *(continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into presentation currency as follows:

— assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— all resulting exchange differences are recognised in the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Property, plant and equipment

Leasehold land and buildings comprise mainly factories and offices. Leasehold land in Hong Kong classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Leasehold land and building are carried at fair values, based on periodic valuations by external independent 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 historical 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 financial period in which they are incurred.

Revaluation increases of leasehold land and 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 property revaluation reserve as other comprehensive income.

Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of revalued buildings, the attributable revaluation increases remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	Shorter of 10 years or over the lease terms
Plant and machinery	5 to 10 years
Moulds	2 to 10 years
Furniture, fixtures and equipment	5 to 10 years
Motor vehicles	4 to 5 years

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

The 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Prepaid land lease payments

The lump-sum upfront lease payments made on entering into or acquiring leasehold land are accounted for as prepaid land lease payments and are amortised over the lease term on a straight line basis.

(f) Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in 'other gains — net'.

(g) Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include cost of acquiring exploration right, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies.

Exploration and evaluation assets are classified as such and carried forward as long as:

(i) the exploration right is current;

(ii) the Group plans and has sufficient fund to continue the explorations; and

(iii) the technical feasibility and commercial viability of extracting a mineral resource are not yet demonstrable.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to mining right and are amortised.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount.

(h) Trademark

Trademark is measured initially at purchase cost and is amortised on a straight-line basis over its estimated useful lives of 99 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in liabilities as obligation under finance leases. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(j) Research expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred. An internally generated intangible asset arising from the Group's product development is recognised only if all of the following conditions are met:

— an asset is created that can be identified;

— it is probable that the asset created will generate future economic benefits; and

— the development cost of the asset can be measured reliably.

Internally generated intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives of five years. Where no internally generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred.

(k) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments

Loans and receivables

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

Available-for-sale financial asset

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

After initial recognition, available-for-sale financial asset are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in accumulated profits/losses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss.

Interest and dividends earned whilst holding the available-for-sale financial asset are reported as interest income and dividend income, respectively and are recognised in profit or loss in accordance with the policies set out for "Revenue recognition".

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

(m) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(n) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Compound financial instruments *(continued)*

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in convertible bonds equity reserve. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The liability component of a convertible instrument is classified as current unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(o) Derecognition of financial assets

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Impairment of financial asset

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

(c) hedges of a net investment in a foreign operation (net investment hedge).

Subsequent measurement

Financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

Derecognition of financial liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(s) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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.

(u) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Revenue recognition

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

(i) Sales of goods

Revenue from the sales of toys and gifts is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(ii) Rental income

Rental income is recognised on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) 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 balance sheet date.

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

(ii) Pension obligations — defined contribution plans

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

The employees in the Company's subsidiaries operating in the PRC are members of retirement benefits schemes (the "**PRC RB Schemes**") operated by the local municipal governments. The PRC subsidiaries are required to contribute to the PRC RB Schemes to fund the retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the PRC RB Schemes is to meet the required contributions under the PRC RB Schemes. The contributions are charged to the profit or loss as they become payable in accordance with the relevant laws and regulations of the PRC.

The Group has no further obligations to pay once the contributions have been paid for these Schemes.

(x) Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Share-based payments *(continued)*

(a) Equity-settled share-based payment transactions (continued)

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

Wien the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(c) Social security contributions on share options gains

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Current and deferred tax *(continued)*

(ii) Deferred income tax *(continued)*

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(z) Related parties

A related party is a person or entity that is related to the Group.

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

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

(2) has significant influence over the Group; or

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

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

(1) 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).

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

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

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

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

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

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management person of the entity (or its parents).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to its parent. Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealing with the entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(ab) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(ac) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

(ad) Borrowing costs

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

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.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Fund availability

In order to fund the daily operation and the future expansion of the businesses of the Group, significant amounts of capital in the form of borrowing or equity, or a combination of both, is considered to be necessary in the future. Management considers such funding for the future operation and expansion will be available as and when required. The basis of preparing these consolidated financial statements under the going concern assumption have been discussed in note 2.1.

(b) Recoverability of exploration and evaluation assets

The directors are satisfied with the recoverability of exploration and evaluation assets with carrying value of approximately HK$139,178,000, in aggregate, as at 31 December 2015 (2014: HK$147,805,000) by reference to their respective fair values. The directors appointed Grant Sherman Appraisal Limited ("**Grant Sherman**"), an independent firm of professional valuer, to determine the fair values of the mines owned by the Group.

The fair values were developed primarily through the application of a market valuation methodology, where certain estimates and assumptions were used (note 16). The directors have exercised their judgements and have made their best estimate of all relevant factors to be included in the valuation model and are satisfied that the method of valuation is reflective of the current market conditions. However, such estimates and assumptions were subject to significant uncertainties and judgements. If any of the estimates and assumptions being used has changed, the aggregate recoverable amount of the exploration and evaluation assets would be different and thus may have an impact on the consolidated financial statements.

If the recoverable values of the exploration and evaluation assets increase/decrease by 10%, the provision for impairment of exploration and evaluation assets will decrease/increase by approximately HK$13,900,000.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(c) Fair values of investment properties, leasehold land and buildings

The best evidence of fair value is current prices in an active market for similar leases and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair values estimated. In making its estimates, the Group considers the information from the valuations of investment properties (note 15) and leasehold land and buildings (note 13) performed by an external professional valuer by using the market approach. Had the Group used different valuation techniques, the fair value of the investment properties, leasehold land and buildings would be different and thus may have an impact on the consolidated financial statements.

The fair values of investment properties and leasehold land and buildings would change by approximately HK$1,095,000 and HK$5,440,000 respectively if the market values of comparable properties or the unobservable inputs adopted under the valuation approach differ by 10% from the Group's estimates.

(d) Share-based payment expenses

The fair value of the share options granted to certain directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, various valuation models were used, which require the input of subjective assumptions. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer tastes and competitors' actions.

(f) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise when events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(g) Current and deferred income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary difference and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(h) Estimated impairment of investments in subsidiaries, investment in an associate and non-financial assets

The Group assesses whether investments in subsidiaries, investment in an associate and non-financial assets have suffered any impairment in accordance with the accounting policy. The recoverable amounts of investments in subsidiaries, investment in an associate and non-financial assets have been determined based on value in use calculations or market valuations. These calculations require the use of judgement and estimates, in particular of future revenue or cash flow. Management believes that any reasonable possible deviation from any of these assumptions would not cause the aggregate carrying amounts of cash-generating units to exceed their recoverable amounts.

(i) Purchase price allocation upon acquisition of an associate

Purchase prices related to acquisition of an associate are allocated to the underlying assets and liabilities of the investee based on their estimated fair value at the time of acquisition. The determination of fair value requires director to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities assumed. As a result, the purchase price allocation impacts the share of net assets and results of the investee by the Group.

(j) Estimated fair value of the convertible bonds

The fair values of convertible bonds that are not traded in an active market are determined by using valuation techniques. The directors have used a Binomial Option Pricing Model to determine the fair values of the convertible bonds. Significant judgement on parameters is required to be made by the directors in applying the Binomial Option Pricing Model. The fair value of the liability component of the convertible bonds is determined by discounted cash flow method using the inputs including contractual cash flows over the remaining contractual terms of the convertible bonds and discount rate that reflected credit risk of the Company. The residual amount, representing the value of the equity conversion component, was included in equity as “Convertible bonds equity reserve”.

(k) Fair values of financial instruments

Financial instruments such as equity and debt instruments are carried at the statement of financial position at fair value. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the market values determined by independent financial institutions or internal or external valuation models to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results.

Management assessed the recoverability of the other unlisted available-for-sale investments based on the present value of the estimated future cash flows expected to arise from the investments and discounted at the appropriate rates of return. Estimation of future cash flows may be adversely affected by the deterioration in financial position of the investees, industry and sector performances, changes in technology, and operational and financing cash flows. If the carrying amount of each of these investments is less than its recoverable amount, an impairment loss is recognised in the profit or loss. Variation in the estimated future cash flows and the discount rates used may result in adjustment to the recoverable amount and may give rise to the recognition of an impairment loss.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign 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) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies (HK$, Renminbi ("**RMB**") and United States Dollars ("**US$**")) of the Group's entities. 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.

As HK$ is pegged with US$, management is of the view that there is no significant foreign exchange risk to the Group.

Included in prepayments, deposits and other receivables of the Group is an aggregate amount of approximately HK$101,868,000 denominated in RMB at 31 December 2015 (2014: Nil) and included in the bank and cash balances of the Group is an aggregate amount of approximately HK$1,961,000 denominated in RMB at 31 December 2015 (2014: HK$2,029,000). 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, if Renminbi had strengthened/weakened by 5% (2014: 5%) against Hong Kong dollars with all other variables held constant, pre-tax loss for the year would have been approximately HK$5,191,000 higher/lower (2014: HK$101,000 higher/lower) mainly as a result of foreign exchange losses/gains on translation of cash and cash equivalents, trade receivables, trade payables and borrowings denominated in non-functional currency of the relevant group companies.

(b) Credit risk

The carrying amounts of the trade and other receivables, and bank balances included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets.

At 31 December 2015, 22% (2014: 37%) and 62% (2014: 73%) of the total trade receivables were due from the Group's largest customer and the five largest customers at 31 December 2015, respectively. It has policies in place to ensure that sales are made to customers with an appropriate credit history. For credit exposures to customers, management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is properly managed and significantly reduced.

Since the Group trades only with creditworthy third parties, there is no requirement for collateral.

The Group's bank deposits are all deposited in renowned and established banks or financial institutions in Hong Kong, the PRC and the U.S.A.. Management considers that the credit risk associated with deposits with banks and financial institutes is low.

5. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

The maturity analysis of the Group's financial liabilities are as follows:

	Total contractual undiscounted cash flow HK$'000	**Less than 1 year or on demand** HK$'000	**Between 1 to 2 years** HK$'000	**Between 2 to 5 years** HK$'000	**Over 5 years** HK$'000
Group					
At 31 December 2015					
Trade payables	**17,330**	**17,330**	**—**	**—**	**—**
Accruals and other payables	**51,899**	**51,899**	**—**	**—**	**—**
Promissory notes	**248,681**	**147,914**	**—**	**100,767**	**—**
Borrowings and related interest payments	**81,501**	**78,644**	**947**	**1,910**	**—**
Obligation under finance leases	**963**	**192**	**192**	**579**	**—**
At 31 December 2014					
Trade payables	17,119	17,119	—	—	—
Accruals and other payables	32,659	32,659	—	—	—
Convertible bonds	30,000	—	—	30,000	—
Borrowings and related interest payments	72,889	69,929	815	2,145	—
Obligation under finance leases	—	—	—	—	—

The basis of preparing these consolidated financial statements under the going concern basis have been discussed in note 2.1.

5. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's cash and interest-bearing loans. Borrowings issued at variable rates exposed the Group to cash flow interest rate. Borrowings issued at fixed rates exposed the Group to fair value interest rate risk. The Group manages its interest rate exposure from cash through placing them into appropriate short term deposits with a mixture of variable and fixed rates and manages the exposure of its major interest-bearing loans through the use of fixed rates loan agreements.

At 31 December 2015, if interest rate had increased/decreased by 200 basis points, pre-tax loss for the year would have been approximately HK$530,000 (2014: HK$760,000) higher/lower mainly as a result of an increase/a decrease in interest rate applied to the Group's floating-rate loans.

(e) Fair values estimation

The table below analyzed financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The table below presents the Group's assets and liabilities that are measured at fair value at 31 December 2014 and 2015.

	Level 1	Level 2	Level 3	Total
At 31 December 2015				
Derivative financial liabilities	**—**	**—**	**9,403**	**9,403**
At 31 December 2014				
Derivative financial liabilities	—	—	—	—

There were no transfer of financial assets and liabilities in the fair value hierarchy classification for the years ended 31 December 2014 and 2015.

See notes 13 and 15 for disclosures of the property, plant and equipment and investment properties respectively, are at fair value.

5. FINANCIAL RISK MANAGEMENT *(continued)*

(f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to continue with the expansion plan of the Group's businesses. In order to fund the daily operation and the expansion of the businesses of the Group, significant amounts of capital in the form of borrowing or equity, or a combination of both, is considered to be necessary in the future. The directors consider such funding for the future operation and expansion will be available as and when required.

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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, if any, return capital to shareholders, issue new shares, or sell assets to reduce debts. No changes had been made in the objectives, policies and processes during the years ended 31 December 2015 and 2014.

The Group monitors capital using a gearing ratio, which is the Group's net debts (comprising trade payables, accruals and other payables, income tax payable and borrowings less bank and cash balances) over its total equity. The Company's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2015 was 32.45% (2014: 33.57%).

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

(g) Offsetting financial assets and financial liabilities

There is no material financial assets or liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

6. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION

	2015 **HK$'000**	2014 HK$'000
Turnover		
Sales of goods	**223,313**	229,022
Other income		
Moulds income	**12**	201
Interest income	**5**	10
Rental income (note 15)	**911**	1,021
Gain on bargain purchase (note 33)	**4,200**	—
Others	**2,517**	578
	7,645	1,810

6. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION *(continued)*

Segment information

The Group has five reportable segments as follows:

Exploration	—	Exploration of natural resources
Toys and gifts items	—	Manufacturing and trading of toys and gifts items
Fruit plantation	—	Investment in business related to fruit plantation through associates of the Group
Leisure	—	Investment in PRC outbound tourism related business through an associate of the Group
Culture	—	Investment in cultural items

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business has different economic characteristics.

Segment results do not include corporate finance costs and other corporate income and expenses. Segment assets do not include assets at corporate level. Segment liabilities do not include liabilities at corporate level.

(a) Information about reportable segment revenue, segment results, segment assets and segment liabilities:

	Exploration		Toys and gifts items		Fruit plantation		Leisure		Culture		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Year ended 31 December												
Revenue from external customers	**–**	–	**223,313**	229,022	**–**	–	**–**	–	**–**	–	**223,313**	229,022
Segment result	**(959)**	(734)	**3,826**	(414)	**(3,122)**	(460,780)	**(1,934)**	–	**(335)**	–	**(2,524)**	(461,928)
Depreciation and amortisation	**(8)**	(8)	**(5,430)**	(5,331)	**–**	–	**–**	–	**–**	–	**(5,438)**	(5,339)
Provision for impairment of investment in an associate	**–**	–	**–**	–	**–**	(453,886)	**–**	–	**–**	–	**–**	(453,886)
Interest income	**–**	9	**5**	1	**–**	–	**–**	–	**–**	–	**5**	10
Interest expenses	**–**	–	**(1,465)**	(3,526)	**–**	–	**–**	–	**–**	–	**(1,465)**	(3,526)
Income tax credit/(expenses)	**–**	–	**(2,165)**	293	**–**	–	**–**	–	**–**	–	**(2,165)**	293
At 31 December												
Segment assets	**139,390**	148,555	**168,630**	156,985	**233,075**	143,339	**117,763**	–	**35,303**	–	**694,161**	448,879
Segment liabilities	**(18,723)**	(19,665)	**(109,935)**	(105,064)	**–**	–	**–**	–	**–**	–	**(128,658)**	(124,729)
Additions to segment non-current assets	**–**	–	**4,167**	3,030	**–**	601,121	**–**	–	**–**	–	**4,167**	604,151

6. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION *(continued)*

(b) Reconciliation of reportable segment results, segment assets and segment liabilities:

	2015 **HK$'000**	2014 HK$'000
Reconciliation of segment results:		
Total loss of reportable segments	**(2,524)**	(461,928)
Unallocated amount		
Corporate finance costs	**(13,218)**	(7,496)
Other corporate income and expenses	**(71,510)**	(39,248)
Loss for the year	**(87,252)**	(508,672)
Reconciliation of segment assets:		
Total assets of reportable segments	**694,161**	448,879
Unallocated corporate assets		
Property, plant and equipment	**1,473**	2,005
Bank and cash balances	**3,762**	6,492
Prepayments, deposits and other receivables	**108,037**	4,401
	113,272	12,898
Total assets	**807,433**	461,777
Reconciliation of segment liabilities:		
Total liabilities of reportable segments	**128,658**	124,729
Unallocated corporate liabilities		
Borrowings	**12,726**	6,357
Accruals and other payables	**32,420**	17,293
Convertible bonds	**—**	20,207
Promissory notes	**232,601**	—
	277,747	43,857
Total liabilities	**406,405**	168,586

6. TURNOVER, OTHER INCOME AND SEGMENT INFORMATION *(continued)*

(c) Analysis of revenue by geographical location of customers:

	2015	2014
	HK$'000	HK$'000
The PRC (including Hong Kong)	**255**	287
North America[1]	**209,623**	211,863
European Union[2]	**8,670**	10,738
Others[3]	**4,765**	6,134
	223,313	229,022

1 North America includes the United States of America (the "**USA**") and Canada.

2 European Union includes Spain, Italy, France and the United Kingdom.

3 Others include Middle East, South America and Southeast Asia.

Revenue from two customers, each accounted for more than 10% of the Group's total revenue for the year, represented approximately 36% and 10% of the total Group's revenue for the year ended 31 December 2015, respectively (2014: 47% and 13%).

The geographical location of customer is based on the location at which the goods delivered.

(d) Analysis of revenue by category:

	2015	2014
	HK$'000	HK$'000
Sales of toys and gifts items	**223,313**	229,022

(e) Analysis of non-current assets by geographical locations:

	2015	2014
	HK$'000	HK$'000
The PRC (including Hong Kong)	**475,235**	371,981
USA	**1,579**	1,631
	476,814	373,612

7. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest expenses on:		
Bank borrowings and overdrafts wholly repayable within 5 years	1,160	2,702
Other loans	3,670	5,842
Trust receipt loans	232	567
Convertible bonds wholly repayable within 3 years	1,853	1,911
Imputed Interest on promissory notes	7,768	—
	14,683	11,022

8. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxations on overseas profits have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	2015 HK$'000	2014 HK$'000
Current tax:		
Hong Kong Profits Tax		
Provision for the year	875	382
Over-provision of prior years	(52)	(103)
	823	279
Overseas		
Provision for the year	922	1,226
	922	1,226
Total current tax	1,745	1,505
Deferred income tax	113	(1,798)
Income tax expense/(credit)	1,858	(293)

8. INCOME TAX EXPENSE/(CREDIT) *(continued)*

The reconciliation between the income tax expense/(credit) and loss before tax multiplied by Hong Kong profits tax rate is as follows:

	2015 HK$'000	2014 HK$'000
Loss before tax	(85,394)	(508,965)
Share of result of associates/an associate	3,769	3,896
	(81,625)	(505,069)
Tax at the applicable tax of 16.5% (2014: 16.5%)	(13,468)	(83,336)
Tax effect of income that is not taxable	(812)	(450)
Tax effect of expenses that are not deductible	16,370	86,023
Tax effect of utilisation of tax losses not previously recognised	(59)	(206)
Tax effect of temporary differences (over)/under-recognised	(193)	(2,056)
(Over)/under-provision for prior years	(52)	(103)
Effect of different tax rates of subsidiaries operating in other jurisdictions	72	(165)
Income tax expense/(credit)	1,858	(293)

Tax charge relating to each component of other comprehensive (loss)/income is as follows:

	2015			2014		
	Amount before tax HK$'000	Tax HK$'000	Amount after tax HK$'000	Amount before tax HK$'000	Tax HK$'000	Amount after tax HK$'000
Exchange differences on translating foreign operations	(12,751)	—	(12,751)	(537)	–	(537)
Surplus on revaluation of properties	3,047	(562)	2,485	176	(259)	(83)
Other comprehensive loss	(9,704)	(562)	(10,266)	(361)	(259)	(620)
Current tax		—			–	
Deferred income tax (note 31)		(562)			(259)	
		(562)			(259)	

9. LOSS FOR THE YEAR

The Group's loss for the year is arrived after charging/(crediting) the following:

	2015 HK$'000	2014 HK$'000
Amortisation of other intangible asset (note 17)	**12**	11
Amortisation of prepaid land lease payments (note 14)	**118**	120
Auditor's remuneration	**1,500**	2,400
Cost of inventories sold	**101,182**	113,829
Depreciation of property, plant and equipment (note 13)	**5,309**	5,279
Fair value gain on investment properties[1] (note 15)	**(698)**	(32)
Net foreign exchange (gain)/loss[1]	**(4,311)**	384
Provision for impairment of other receivables[1]	**2,589**	394
Provision for impairment of trade receivables (note 22)	**64**	87
Minimum lease payments under operating leases in respect of leasehold land and buildings	**12,022**	5,991
Write back of provision for inventories obsolescence	**(419)**	(1,625)
Write-off and loss on disposals of property, plant and equipment[1]	**905**	412
Staff costs (excluding directors' remuneration (note 11))		
Salaries, bonus and allowance	**45,976**	42,934
Retirement benefits scheme contributions	**1,677**	1,701
Share-based payment expenses	**22,948**	12,505
	70,601	57,140

[1] Included in other gains/(losses), net

10. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company, if any.

The calculations of basic and diluted loss per share are based on the following:

	2015 HK$'000	2014 HK$'000
Loss attributable to the equity holders of the Company		
Loss for the purpose of calculating basic and diluted loss per share	**(89,665)**	(509,606)

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**3,035,500,397**	1,613,523,241

For the years ended 31 December 2015 and 31 December 2014, the average market price of the Company's ordinary shares was below the exercise price of the outstanding share options. Accordingly, the weighted average number of ordinary shares was not adjusted to compute the diluted loss per share for the effect of the share options.

As the Group has incurred a loss for the year ended 31 December 2015, the conversion of all potential ordinary shares arising from the convertible bonds would have an anti-dilutive effect on the loss per share. Accordingly, the weighted average number of ordinary shares was not adjusted to compute the diluted loss per share for the effect of the convertible bonds.

11. BENEFITS AND INTERESTS OF DIRECTORS

Disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and the Listing Rules in relation to benefits and interests of directors are as follows:

(a) Directors' and chief executive's emoluments

For the year ended 31 December 2015

Name of directors	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payment HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Mr. Hui Kee Fung[1]	—	3,705	2,304	18	6,027
Mr. Yu Won Kong, Dennis[2]	—	4,550	2,304	—	6,854
Mr. Cheung Kai Fung *(retired on 1 June 2015)*	—	525	—	8	533
Mr. Long Tien Ian *(resigned on 23 March 2016)*	—	3,900	1,617	18	5,535
Mr. Mtafi, Rachid Rene *(appointed on 1 June 2015 and resigned on 26 February 2016)*	—	210	346	10	566
Mr. Yip Kong Nam *(appointed on 1 June 2015)*	—	420	230	11	661
Mr. Sao Cheung Yung Aaron *(appointed on 9 November 2015)*	—	267	—	3	270
Mr. Nojiri Makoto *(appointed on 9 November 2015)*	—	26	—	—	26
Non-executive director					
Mr. Lam Kit Sun	—	240	—	—	240
Independent non-executive directors					
Mr. Lam Siu Lun, Simon *(resigned on 20 February 2016)*	120	—	—	—	120
Mr. Zhang Xianmin *(retired on 1 June 2015)*	50	—	—	—	50
Mr. So Chun Pong, Ricky	120	—	—	—	120
Mr. Wang Xiao Ning *(appointed on 1 June 2015)*	70	—	—	—	70
	360	13,843	6,801	68	21,072

11. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' and chief executive's emoluments *(continued)*

For the year ended 31 December 2014

Name of directors	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payment HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Mr. Hui Kee Fung[1]	–	2,431	718	17	3,166
Mr. Yu Won Kong, Dennis[2]	–	3,900	315	14	4,229
Mr. Cheung Kai Fung *(retired on 1 June 2015)*	–	1,235	431	17	1,683
Mr. Long Tien Ian *(resigned on 23 March 2016)*	–	1,200	423	6	1,629
Non-executive director					
Mr. Lam Kit Sun	–	240	–	–	240
Independent non-executive directors					
Mr. Lam Siu Lun, Simon *(resigned on 20 February 2016)*	120	–	–	–	120
Mr. Zhang Xianmin *(retired on 1 June 2015)*	120	–	–	–	120
Mr. So Chun Pong, Ricky	120	–	–	–	120
	360	9,006	1,887	54	11,307

1 Chairman

2 Chief executive officer

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

(b) No directors' retirement benefits, directors' termination benefits, loans, quasi-loans or other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors, material interests of directors in transactions, arrangements or contracts entered into by the Company and consideration provided to or receivable by third parties for making available directors' services, subsisted at the end of the year or at any time during the year.

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three (2014: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining two (2014: one) highest paid individuals are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	2,700	1,711
Share-based payment	346	—
Retirement benefits scheme contributions	101	83
	3,147	1,794

The emoluments fell within the following band:

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

During the year, no remuneration was paid by the Group to any of the directors or the highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2014: HK$Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation							
At 1 January 2014	58,240	3,550	12,118	31,524	9,500	3,232	118,164
Additions	—	2,310	196	1,116	1,483	—	5,105
Reclassification	1,064	—	—	—	(1,064)	—	—
Adjustment on revaluation to equity	(2,684)	—	—	—	—	—	(2,684)
Disposal/written off	(893)	—	(82)	—	(276)	—	(1,251)
Exchange difference	(77)	5	(25)	(58)	(4)	(9)	(168)
At 31 December 2014	**55,650**	**5,865**	**12,207**	**32,582**	**9,639**	**3,223**	**119,166**
Additions	**—**	**214**	**484**	**670**	**324**	**871**	**2,563**
Adjustment on revaluation to equity	**301**	**—**	**—**	**—**	**—**	**—**	**301**
Transfer to Investment Property	**(725)**	**—**	**—**	**—**	**—**	**—**	**(725)**
Disposal/written off	**—**	**—**	**(3,886)**	**(1,111)**	**(564)**	**(477)**	**(6,038)**
Exchange difference	**(826)**	**(62)**	**(291)**	**(1,101)**	**(72)**	**(149)**	**(2,501)**
At 31 December 2015	**54,400**	**6,017**	**8,514**	**31,040**	**9,327**	**3,468**	**112,766**
Accumulated depreciation and impairment							
At 1 January 2014	—	3,315	9,701	28,957	6,054	2,854	50,881
Charge for the year	2,860	176	314	1,315	583	31	5,279
Reclassification	543	—	—	—	(543)	—	—
Adjustment on revaluation to equity	(2,860)	—	—	—	—	—	(2,860)
Disposal/written off	(543)	—	(74)	—	(222)	—	(839)
Exchange difference	—	—	(17)	(48)	(6)	(7)	(78)
At 31 December 2014	**—**	**3,491**	**9,924**	**30,224**	**5,866**	**2,878**	**52,383**
Charge for the year	**2,746**	**497**	**322**	**967**	**715**	**62**	**5,309**
Adjustment on revaluation to equity	**(2,746)**	**—**	**—**	**—**	**—**	**—**	**(2,746)**
Disposal/written off	**—**	**—**	**(3,172)**	**(749)**	**(501)**	**(477)**	**(4,899)**
Exchange difference	**—**	**(4)**	**(189)**	**(919)**	**(30)**	**(130)**	**(1,272)**
At 31 December 2015	**—**	**3,984**	**6,885**	**29,523**	**6,050**	**2,333**	**48,775**
Carrying amount							
At 31 December 2015	**54,400**	**2,033**	**1,629**	**1,517**	**3,277**	**1,135**	**63,991**
At 31 December 2014	55,650	2,374	2,283	2,358	3,773	345	66,783

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

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

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2015							
At cost	**—**	**6,017**	**8,514**	**31,040**	**9,327**	**3,468**	**58,366**
At valuation	**54,400**	**—**	**—**	**—**	**—**	**—**	**54,400**
	54,400	**6,017**	**8,514**	**31,040**	**9,327**	**3,468**	**112,766**
31 December 2014							
At cost	—	5,865	12,207	32,582	9,639	3,223	63,516
At valuation	55,650	—	—	—	—	—	55,650
	55,650	5,865	12,207	32,582	9,639	3,223	119,166

An analysis of the carrying amounts of the Group's leasehold land and buildings is as follows:

	2015 HK$'000	2014 HK$'000
Held under medium term leases in Hong Kong	**41,100**	41,450
Held under medium term leases in the PRC	**13,300**	14,200
	54,400	55,650

At 31 December 2015, the Group's property, plant and equipment with an aggregate carrying amount of HK$40,400,000 (2014: HK$54,200,000) were pledged to secure banking facilities granted to the Group (note 29).

At 31 December 2015, the Group's property, plant and equipment with an aggregate carrying amount of HK$828,000 (2014: HK$Nil) was held under finance lease (note 28).

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

Depreciation expenses of approximately HK$1,394,000 (2014: HK$1,745,000) and HK$3,915,000 (2014: HK$3,534,000) have been charged in "cost of sales" and "administrative expenses" in the consolidated income statement, respectively.

Fair value hierarchy

	Leasehold land and buildings (Note)		
	Hong Kong HK$'000	**PRC** HK$'000	**Total** HK$'000
At 1 January 2015	**41,450**	**14,200**	**55,650**
Surplus on revaluation	**2,410**	**637**	**3,047**
Depreciation	**(2,035)**	**(711)**	**(2,746)**
Transferred to investment property	**(725)**	**—**	**(725)**
Exchange differences	**—**	**(826)**	**(826)**
At 31 December 2015	**41,100**	**13,300**	**54,400**
Total revaluation gain for the year credited to the property revaluation reserve	**2,410**	**637**	**3,047**
At 1 January 2014	40,340	17,900	58,240
Surplus/(deficit) on revaluation	3,183	(3,007)	176
Depreciation	(2,073)	(787)	(2,860)
Reclassification	—	521	521
Disposal/written off	—	(350)	(350)
Exchange differences	—	(77)	(77)
At 31 December 2014	41,450	14,200	55,650
Total revaluation gain/(loss) for the year credited/(charged) to the property revaluation reserve	3,183	(3,007)	176

Note: All the leasehold land and buildings are measured under Level 3, inputs for the asset or liability are not based on observable market data (that is, unobservable inputs).

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

There were no transfers among Levels 1, 2 and 3 during the year.

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

Valuation basis

(a) Valuation processes

The Group obtains independent valuations for its leasehold land and building and investment properties (note 15) at least annually. In the current year, the valuations are performed by Grant Sherman, an independent firm of professional valuer. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors review the valuations performed by Grant Sherman for financial reporting purposes. Discussions of valuation processes and results are held between the directors and valuer at least annually, in line with the Group's annual report date.

At each financial year end, the directors:

(i) verify all major inputs to the independent valuation report;

(ii) assess property valuations movements when compared to prior year valuation report; and

(iii) hold discussions with the independent valuer.

(b) Valuation techniques

For leasehold land and buildings and investment properties located in Hong Kong and the PRC, the valuation was determined using the direct comparison approach. Sales prices of comparable properties in close proximity are adjusted for significant unobservable inputs.

Description	**Fair value at 31 December 2015 HK$'000**	**Valuation technique(s)**	**Unobservable inputs**	**Relationship of unobservable inputs**
Leasehold land and building — Hong Kong	700	Direct comparison approach	HK$860,000–HK$1,210,000 per unit	The higher the price, the higher the fair value
Leasehold land and building — Hong Kong	40,400	Direct comparison approach	HK$3,210–HK$3,732 per square feet	The higher the price, the higher the fair value
Leasehold land and building — Putian, the PRC	13,300	Direct comparison approach	HK$314–HK$391 per square meter	The higher the price, the higher the fair value

Description	Fair value at 31 December 2014 HK$'000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs
Leasehold land and building — Hong Kong	1,450	Direct comparison approach	HK$1,228,000–HK$1,880,000 per unit	The higher the price, the higher the fair value
Leasehold land and building — Hong Kong	40,000	Direct comparison approach	HK$2,896–HK$3,263 per square feet	The higher the price, the higher the fair value
Leasehold land and building — Putian, the PRC	14,200	Direct comparison approach	HK$160–HK$705 per square meter	The higher the price, the higher the fair value

14. PREPAID LAND LEASE PAYMENTS

	HK$'000
Cost	
At 1 January 2014	5,970
Exchange difference	(20)
At 31 December 2014	5,950
Exchange difference	(348)
At 31 December 2015	5,602
Accumulated amortisation	
At 1 January 2014	1,187
Charge for the year (note 9)	120
Exchange difference	(3)
At 31 December 2014	1,304
Charge for the year (note 9)	118
Exchange difference	(82)
At 31 December 2015	1,340
Carrying amount	
At 31 December 2015	4,262
At 31 December 2014	4,646

Amortisation of prepaid land lease payments has been included in "administrative expenses" in the consolidated income statement.

14. PREPAID LAND LEASE PAYMENTS *(continued)*

The Group's prepaid land lease payments are analysed as follows:

	2015 HK$'000	2014 HK$'000
Held under medium term leases in the PRC	4,262	4,646

At 31 December 2015, the Group's prepaid land lease payments with an aggregate carrying amount of approximately HK$Nil (2014: HK$4,646,000) were pledged to secure banking facilities granted to the Group (note 29).

At 31 December 2015, prepaid land lease payments of approximately HK$4,149,000 (2014: HK$4,526,000) were classified as non-current assets while approximately HK$113,000 (2014: HK$120,000) were classified as current assets and grouped under "prepayments, deposits and other receivables" in the consolidated statement of financial position.

15. INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
At 1 January	10,100	10,100
Transfer from leasehold land and building	725	–
Exchange difference	(573)	(32)
Fair value gain (note 9)	698	32
At 31 December	10,950	10,100

15. INVESTMENT PROPERTIES *(continued)*

The Group's investment properties are analysed as follows:

	2015 HK$'000	2014 HK$'000
Held under medium term leases in Hong Kong	**1,550**	700
Held under medium term leases in the PRC	**9,400**	9,400
	10,950	10,100

The Group leases out investment properties under operating leases. The leases typically run for 1 year.

The amounts recognised in the consolidated income statement for investment properties are as follows:

	2015 HK$'000	2014 HK$'000
Rental income (note 6)	**911**	1,021
Direct operating expenses from property that generated rental income	**(1)**	(1)
	910	1,020

As at 31 December 2015, the Group had no significant unprovided contractual obligations for future repairs and maintenance (2014: Nil).

At 31 December 2015, the Group's investment properties with an aggregate carrying amount of approximately HK$9,400,000 (2014: HK$9,400,000) were pledged to secure banking facilities granted to the Group (note 29).

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

	Investment properties (Note)		
	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
At 1 January 2015	**700**	**9,400**	**10,100**
Transfer from leasehold land and building	**725**	**—**	**725**
Fair value gain	**125**	**573**	**698**
Exchange difference	**—**	**(573)**	**(573)**
At 31 December 2015	**1,550**	**9,400**	**10,950**
Total fair value gain for the year included in consolidated income statement for assets held at the end of the year, under "Other losses, net"	**125**	**573**	**698**
At 1 January 2014	700	9,400	10,100
Fair value gain	—	32	32
Exchange difference	—	(32)	(32)
At 31 December 2014	700	9,400	10,100
Total fair value gain for the year included in consolidated income statement for assets held at the end of the year, under "Other losses, net"	—	32	32

Note: All the properties are measured under Level 3, inputs for the asset or liability are not based on observable market data (that is, unobservable inputs).

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

There were no transfers among Levels 1, 2 and 3 during the year.

15. INVESTMENT PROPERTIES *(continued)*

Valuation basis

The valuation basis of investment properties was mentioned in note 13.

Description	**Fair value at 31 December 2015 HK$'000**	**Valuation technique(s)**	**Unobservable inputs**	**Relationship of unobservable inputs**
Car parking space — Hong Kong	1,550	Direct comparison approach	HK$600,000–HK$1,100,000 per unit	The higher the price, the higher the fair value
Office unit — Fuzhou, the PRC	9,400	Direct comparison approach	HK$17,692–HK$21,367 per square meter	The higher the price, the higher the fair value

Description	Fair value at 31 December 2014 HK$'000	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs
Car parking space — Hong Kong	700	Direct comparison approach	HK$720,000–HK$1,303,000 per unit	The higher the price, the higher the fair value
Office unit — Fuzhou, the PRC	9,400	Direct comparison approach	HK$15,845–HK$19,098 per square meter	The higher the price, the higher the fair value

16. EXPLORATION AND EVALUATION ASSETS

	HK$'000
Cost	
At 1 January 2014	1,415,284
Exchange difference	(4,843)
At 31 December 2014 and 1 January 2015	1,410,441
Exchange difference	(82,323)
At 31 December 2015	1,328,118
Accumulated impairment loss	
At 1 January 2014	1,266,972
Exchange difference	(4,336)
At 31 December 2014 and 1 January 2015	1,262,636
Exchange difference	(73,696)
At 31 December 2015	1,188,940
Carrying amount	
At 31 December 2015	139,178
At 31 December 2014	147,805

The exploration and evaluation assets represent exploration rights of Bayanhushuo Coal Field ("**BCF**") and Guerbanhada Coal Mine ("**GCM**"). At 31 December 2015, the carrying amount is attributable to BCF of approximately HK$102,112,000 (2014: HK$108,441,000) and GCM of approximately HK$37,066,000 (2014: HK$39,364,000).

The current licence period of the exploration right of BCF and GCM is from 4 July 2014 to 4 July 2016 and from 21 August 2015 to 20 August 2017, respectively.

The carrying values of the exploration and evaluation assets were tested for impairment as at 31 December 2015 using the fair value less costs to sell model. The recoverable amounts of the exploration and evaluation assets were valued by Hong Kong Appraisal Advisory Limited.

16. EXPLORATION AND EVALUATION ASSETS *(continued)*

The fair values were developed primarily through the application of a market valuation methodology, where comparable acquisition of exploration and evaluation assets were identified and analysed to determine the approximate value of the Group's assets.

To derive the fair values, such approximate values were then adjusted to reflect (i) the estimated difference in coal quality and coal type among the identified comparable transactions and the mines owned by the Group; and (ii) the estimated time difference between the comparable transactions and the valuation date; and (iii) the estimated likelihood that the licences would be sold in open market or returned to the government to seek for compensation.

The directors are satisfied with the recoverability of exploration and evaluation assets with carrying value of approximately HK$139,178,000, in aggregate, as at 31 December 2015 (2014: HK$147,805,000) by reference to their respective fair values.

17. OTHER INTANGIBLE ASSET

	Trademark HK$'000 (note a)
Cost	
At 1 January 2014, 31 December 2014 and 31 December 2015	1,155
Accumulated amortisation	
At 1 January 2014	85
Amortisation for the year (note 9)	11
At 31 December 2014	96
Amortisation for the year (note 9)	12
At 31 December 2015	108
Carrying amount	
At 31 December 2015	1,047
At 31 December 2014	1,059

Note:

(a) The amortisation of approximately HK$12,000 (2014: HK$11,000) (note 9) has been included in "selling and distribution costs" in the consolidated income statement.

18. INVESTMENT IN ASSOCIATES/AN ASSOCIATE

The amount recognised in the consolidated statement of financial position are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	143,339	—
Acquisition	117,929	601,121
Provision for impairment of investment in an associate	—	(453,886)
Share of loss	(3,769)	(3,896)
At 31 December	257,499	143,339

The amount recognised in the consolidated income statement are as follows:

	2015 HK$'000	2014 HK$'000
For the year/period ended 31 December	(3,769)	(3,896)

Acquisition of the Multijoy Group

On 17 September 2014, the Group completed the acquisition of 28% equity interest in Multijoy Developments Limited (together with its subsidiaries, the "**Multijoy Group**"), a company incorporated in the British Virgin Islands (the "**BVI**") with limited liability, at a total consideration satisfied by (i) the issuance of 400,000,000 new ordinary shares of the Company (the "**Consideration Shares**") at HK$0.15 per Consideration Share; and (ii) the issuance of convertible bonds of the Company with face value of HK$136,000,000 (the "**Convertible Bonds**") to Delight Grace Limited, a company incorporated in the BVI with limited liability on 17 September 2014. The Convertible Bonds can be converted into a maximum of 906,666,666 ordinary shares of the Company at a conversion price of HK$0.15 per share.

The Multijoy Group is principally engaged in the business of holding of forestry concession rights in relation to a parcel of forest land situated in Nanfeng County, Fuzhou City, Jiangxi Province, the PRC with an aggregate site area of approximately 1,765.53 Chinese mu (the "**Forest Land**"). Pursuant to the forestry concession rights certificates, the forestry concession rights are valid for a term from 24 November 2011 to 31 December 2048.

The Multijoy Group appointed an independent third party under a cooperation agreement for a term of five years from 1 April 2013 to 31 March 2018 in relation to the operations of tangerine plantation business on the Forest Land for a fixed royalty income.

18. INVESTMENT IN ASSOCIATES/AN ASSOCIATE *(continued)*

Acquisition of the Multijoy Group *(continued)*

On 17 September 2014, being the date of acquisition, the fair value of the Consideration Shares was approximately HK$184,000,000 and the fair value of the Convertible Bonds was approximately HK$417,121,000. At the date of acquisition, management assessed the recoverable amount of the investment in the Multijoy Group by using the direct comparison approach, where comparable tangerine plantation businesses with fixed royalty income were identified and analysed. The fair value of the Company's share of the net identifiable assets recognised, which also represents the recoverable amount of the underlying business, was approximately HK$147,235,000. Therefore, the excess of (i) the fair value of the total consideration of approximately HK$601,121,000 over (ii) the fair value of the Company's share of net identifiable assets acquired of approximately HK$147,235,000 was considered to be immediately impaired, and as a result, a provision for impairment of investment in an associate of approximately HK$453,886,000 was recorded in the consolidated financial statements. The Multijoy Group is a private group and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in the associate.

Summarised financial information of the Multijoy Group

Set out below are the summarised financial information of the Multijoy Group which are accounted for using the equity method.

Summarised statement of financial position

The Multijoy Group	2015 HK$'000	2014 HK$'000
Current		
Total current assets	**222**	400
Total current liabilities	**(9,462)**	(10,228)
Non-current		
Total non-current assets	**673,952**	694,165
Total non-current liabilities	**(167,443)**	(172,411)

Summarised income statement

The Multijoy Group	2015 HK$'000	2014 HK$'000
For the year or period ended 31 December		
Revenue	**33,897**	9,749
Loss before income tax for the year/period	**7,203**	12,942
Loss after income tax for the year/period	**12,866**	13,913

18. INVESTMENT IN ASSOCIATES/AN ASSOCIATE *(continued)*

Acquisition of the Eagle Praise Group

On 23 April 2015, the Group completed the acquisition of 20% equity interest in Eagle Praise Limited (the "**Eagle Praise Group**"), a company incorporated in the BVI with limited liability, at a total consideration satisfied by (i) the issue of 150,000,000 new ordinary shares of the Company in two equal tranches of 75,000,000 ordinary shares each; and (ii) a promissory note of HK$92,000,000 to be issued by the Company.

A side letter was signed on 4 August 2015 in relation to the extension of the milestone time limit to 3 December 2015 (or such later date as the parties to the sale and purchase agreement may agree in writing). On 16 December 2015, a supplemental agreement to the Sale and Purchase Agreement & a supplemental agreement to the Shareholders' Agreement were entered into to amend and modify certain terms of the two agreements, including the cancellation of the Promissory Notes (in the principal amount of HK$92,000,000) issued by the Company at the Initial Completion and replaced by the New Promissory Notes (also in the principal amount of HK$92,000,000) and the Convertible Bonds will set off in full the entire principal amount of the New Promissory Notes upon completion of the issue of the Convertible Bonds pursuant to a supplemental agreement to the Sales and Purchase Agreement.

The Company entered into an addendum on 22 December 2015 to revise the lower and upper limits of the Conversion Price to HK$0.115 and HK$0.22 instead of HK$0.15 and HK$0.22 as set out in the 16 December 2015 Announcement.

The Eagle Praise Group's wholly-owned subsidiary will operate the business of designing, developing and selling tourism and travel related products in the PRC.

Summarised financial information of the Eagle Praise Group

Set out below are the summarised financial information of the Eagle Praise Group which are accounted for using the equity method.

18. INVESTMENT IN ASSOCIATES/AN ASSOCIATE *(continued)*

Summarised statement of financial position

The Eagle Praise Group	2015 HK$'000	2014 HK$'000
Current		
Total current assets	703	—
Total current liabilities	(1,439)	—
Non-current		
Total non-current assets	—	—
Total non-current liabilities	—	—

Summarised income statement

The Eagle Praise Group	2015 HK$'000	2014 HK$'000
For the period from date of acquisition to 31 December		
Revenue	—	—
Loss before income tax for the period	830	—
Loss after income tax for the period	830	—

19. SUBSIDIARIES

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

Name	Place of incorporation/ registration and kind of legal entity	Particulars of issued/ registered capital	Percentage of equity interests held by the Company		Percentage of equity interests held by non-controlling interests	Principal activities and place of operation
			Directly	Indirectly		
Legend Wealth Holdings Limited	BVI, limited liability company	50,500 ordinary shares of US$1 each	100%	–	–	Investment holding, Hong Kong
King Wish Limited	BVI, limited liability company	1 ordinary share of US$1	100%	–	–	Investment holding, Hong Kong
Super Dragon Management Limited	BVI, limited liability company	1 ordinary share of US$1	100%	–	–	Provision of management service, Hong Kong
Bestever Developments Limited	BVI, limited liability company	100 ordinary shares of US$1 each	–	100%	–	Investment holding, Hong Kong
Better Sourcing Worldwide Limited	Hong Kong, limited liability company	100 ordinary shares of HK$1 each	–	51%	49%	Trading of gifts and toys, Hong Kong
Kiu Hung Industries Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$1 each	–	100%	–	Trading of gifts and toys, Hong Kong
Kiu Hung Toys Company Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	–	100%	–	Investment holding, Hong Kong
Newgary Development Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	–	100%	–	Property holding, Hong Kong
Toland International Limited	Hong Kong, limited liability company	4,200,000 ordinary shares of HK$1 each	–	70%	30%	Trading of flags and garden products, Hong Kong
福建奇嘉禮品玩具有限公司 (Fujian Kcare Giftoys Co., Ltd.[1])	The PRC, limited liability company	RMB10,000,000	–	100%	–	Manufacture and trading of gifts and toys, The PRC
福建嘉雄玩具有限公司 (Fujian Ka Hung Toys Co., Ltd.[1])	The PRC, limited liability company	RMB10,000,000	–	100%	–	Manufacture and trading of gifts and toys, The PRC
內蒙古銘潤峰能源有限公司 (Inner Mongolia Mingrunfeng Energy Co., Ltd.[1])	The PRC, limited liability company	RMB53,000,000	–	100%	–	Exploration and mining, The PRC

19. SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and kind of legal entity	Particulars of issued/ registered capital	Percentage of equity interests held by the Company		Percentage of equity interests held by non-controlling interests	Principal activities and place of operation
			Directly	Indirectly		
內蒙古潤恒礦業有限公司 (Inner Mongolia Run Heng Mining Company Limited[1])	The PRC, limited liability company	RMB56,014,705	–	100%	–	Exploration and mining, The PRC
Bright Asset Investments Limited	BVI, limited liability company	10,000 ordinary shares of US$1 each	–	100%	–	Investment holding, Hong Kong
First Choice Resources Limited	BVI, limited liability company	1 ordinary share of US$1	–	100%	–	Investment holding, Hong Kong
Growth Gain Investments Limited	BVI, limited liability company	100 ordinary shares of US$1 each	–	100%	–	Investment holding, Hong Kong
Jumplex Investments Limited	BVI, limited liability company	1 ordinary share of US$1	–	100%	–	Investment holding, Hong Kong
Lucky Dragon Resources Limited	BVI, limited liability company	1 ordinary share of US$1	–	100%	–	Investment holding, Hong Kong
Top Point Investments Limited	BVI, limited liability company	100 ordinary shares of US$1 each	–	100%	–	Investment in securities, Hong Kong
Wise House Limited	BVI, limited liability company	36,000 ordinary shares of US$1 each	–	100%	–	Investment holding, Hong Kong
Marketing Resource Group Inc.	The USA, limited liability company	350,000 ordinary shares of US$1 each	–	51%	49%	Trading of flags and garden products, The USA
Kiu Hung Financial Holding Limited	BVI, limited liability company	1 ordinary share of US$1	100%	–	–	Investment holding, Hong Kong
Kiu Hung Capital Company Limited	BVI, limited liability company	641,027 ordinary shares of US$1	–	100%	–	Corporate finance, Hong Kong
Shun Jun Ventures Limited	Samoa, limited liability company	13,743,131 ordinary shares of US$1	–	100%	–	Investing property, PRC
Sharp Precision Management Limited	BVI, limited liability company	1 ordinary share of US$1	–	100%	–	Investment holding, Hong Kong
Kiu Hung Health Food (HK) Limited	Hong Kong, limited liability company	1 ordinary share of HK$1	–	100%	–	Investment holding, Hong Kong

[1] For identification purpose

20. AVAILABLE-FOR-SALE FINANCIAL ASSET

The Group's available-for-sale financial asset include equity securities with the following details:

	2015	2014
	HK$'000	HK$'000
Unlisted equity securities, at cost	**93,338**	—

On 5 October 2015, Trinity Force Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Green Luxuriant Group Investment Limited, regarding the Company's acquisition of 19% equity interests of USO Management & Holding Co Ltd. (the "**Target Company**"). The Target Company entered into the Tenancy Agreement with The Alii and Faipule of the village of Sasina, Savaii ("**AFS**") pursuant to which AFS granted to the Target Company the legal right to use prime agricultural property with approximately 500 acres located at Sasina, Savaii in Samoa (the "**Leased Properties**") for a term of 90 plus 30 years (120 years in total) at an annual lease payment of US$120,000 (equivalent to approximately HK$936,000) for the development of the Target Company's Plantation Business.

The total consideration of this acquisition of approximately HK$120,000,000 was satisfied by issue of the 49,000,000 consideration shares at HK$0.144 per share and issue of the First Promissory Notes and the Second Promissory Notes in the total principal amount of HK$112,944,000. The consideration shares were issued on 20 October 2015.

This acquisition was completed on 7 December 2015. Accordingly, the First Promissory Notes were issued by the Company to the Vendor.

21. INVENTORIES

	2015	2014
	HK$'000	HK$'000
Raw materials	**7,181**	7,419
Work in progress	**1,352**	4,767
Finished goods	**9,915**	6,137
	18,448	18,323
Ceramic items	**35,303**	—
Less: Provision for inventories obsolescence	**(2,264)**	(2,683)
	51,487	15,640

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$101,182,000 (2014: HK$113,829,000).

22. TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**29,504**	31,041
Less: provision for impairment	**(162)**	(98)
Trade receivables, net	**29,342**	30,943
Bills receivables	**13,344**	2,570
	42,686	33,513

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The movements in provision for trade receivables are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**98**	11
Provision for impairment	**64**	87
At 31 December	**162**	98

The provision for impairment of trade receivables has been included in "administrative expenses" in the consolidated income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The aging analysis of net trade receivables as at the end of reporting period, based on invoice dates, is as follows:

	2015 HK$'000	2014 HK$'000
Within 30 days	**6,757**	16,102
31 days to 90 days	**11,687**	10,424
91 days to 180 days	**10,611**	4,295
181 days to 360 days	**208**	122
Over 360 days	**79**	—
	29,342	30,943

22. TRADE AND BILLS RECEIVABLES *(continued)*

At 31 December 2015, trade receivables of approximately HK$18,127,000 (2014: HK$12,466,000) 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, based on the number of overdue days, is as follows:

	2015 HK$'000	2014 HK$'000
Within 90 days	13,366	8,968
91 days to 180 days	4,654	3,385
181 days to 360 days	64	113
Over 360 days	43	—
	18,127	12,466

At 31 December 2015, trade receivables of approximately HK$162,000 (2014: HK$98,000) were impaired. The impaired receivables relate to customers which are unlikely to be recovered. The aging analysis of these trade receivables based on due date is as follows:

	2015 HK$'000	2014 HK$'000
Over 360 days	162	98
	162	98

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
US$	29,168	30,542
RMB	174	401
	29,342	30,943

At 31 December 2015 and 2014, the fair values of the trade and bills receivables approximate their carrying values.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and bills receivables mentioned above.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The breakdown of prepayments, deposits and other receivables is as below:

	2015 HK$'000	2014 HK$'000
Deposits for sales right of a property development	101,868	—
Trade deposits	8,525	5,641
Other deposits and prepayments	16,392	9,430
	126,785	15,071

Prepayments, deposits and other receivables are denominated in the currencies:

	2015 HK$'000	2014 HK$'000
HK$	4,889	2,767
RMB	110,509	4,628
US$	11,387	7,676
	126,785	15,071

24. BANK AND CASH BALANCES

	2015 HK$'000	2014 HK$'000
Cash at bank and in hand	13,755	20,127
Maximum exposure to credit risk	13,667	19,989

Bank and cash balances are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
HK$	4,757	7,384
RMB	1,961	2,029
US$	7,037	10,714
	13,755	20,127

The conversion of RMB denominated balances into other currencies and the remittance of such bank balances and cash out of PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

25. TRADE PAYABLES

The aging analysis of trade payables as at the end of reporting period, based on invoice dates, is as follows:

	2015	2014
	HK$'000	HK$'000
Within 30 days	**13,547**	11,015
31 days to 90 days	**1,133**	3,429
91 days to 180 days	**640**	623
181 days to 360 days	**86**	284
Over 360 days	**1,924**	1,768
	17,330	17,119

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2015	2014
	HK$'000	HK$'000
HK$	**4**	23
US$	**4,340**	3,821
RMB	**12,986**	13,275
	17,330	17,119

At 31 December 2015 and 2014, the fair value of the trade payables approximate their carrying value.

26. PROMISSORY NOTES

The Group's promissory notes with the following details:

	2015 HK$'000	2014 HK$'000
Current liabilities		
Issue during the year	144,930	—
Non-current liabilities		
Issue during the year	78,270	—

	2015 HK$'000	2014 HK$'000
As at 1 January	—	—
Issuance of promissory notes	221,932	—
Imputed interest	7,768	—
Repayment of promissory notes	(6,500)	—
As at 31 December	223,200	—

On 27 March 2015, the Company issued a promissory note with a principal amount of HK$31,500,000, as part of the consideration for the acquisition of 19 pieces of Jingdezhen contemporary ceramics including ceramic vases and plates. The promissory note is unsecured, non-interest bearing and has a maturity period of one year after the date of issue. The promissory note is measured at amortised cost using the effective interest rate method with the effective interest rate at 9% per annum.

On 23 April 2015, the Company issued a promissory note with a principal amount of HK$92,000,000, as part of the consideration for the acquisition of 20% equity interests of Eagle Praise Limited. The promissory note is unsecured, non-interest bearing and has a maturity period of one year after the date of issue. The promissory note is measured at amortised cost using the effective interest rate method with the effective interest rate at 9% per annum. On 16 December 2015, the promissory note was replaced by a new promissory note of the same principal amount with maturity date on 31 December 2016.

On 29 July 2015, the Company issued a promissory note with a principal amount of HK$13,500,000 for the settlement of other borrowings. The promissory note is unsecured, non-interest bearing and has a maturity period of six months after the date of issue. The fair value of the promissory note approximates their carrying amount.

On 19 September 2015, the Company issued a promissory note with a principal amount of HK$2,622,000 for the settlement of other borrowings. The promissory note is unsecured, non-interest bearing and has a maturity period of three months after the date of issue. The fair value of the promissory note approximates their carrying amount.

On 7 December 2015, the Company issued a promissory note with a principal amount of HK$100,767,000, as part of the consideration for the acquisition of 19% equity interests of USO Management & Holding Co Ltd.. The promissory note is unsecured, non-interest bearing and has a maturity period of three years after the date of issue. The promissory note is measured at amortised cost using the effective interest rate method with the effective interest rate at 9% per annum.

26. PROMISSORY NOTES *(continued)*

On 14 December 2015, the Company issued two promissory notes with a principal amount of HK$5,000,000 and HK$3,292,000 respectively for the settlement of other borrowings. Those promissory notes are unsecured, non-interest bearing and have a maturity period of six months after the date of issue. The fair value of the promissory note approximates their carrying amount.

All promissory notes are carried at zero coupon rate.

27. DERIVATIVE FINANCIAL LIABILITIES

	2015 **HK$'000**	2014 HK$'000
Derivative financial instrument:		
Other derivative	**9,403**	–

On 24 November 2015, the Company and Green Luxuriant Group Investment Limited (the "**Vendor**") entered into a supplemental agreement and the parties agreed that the Second Promissory Notes in the principal amount of HK$12,177,000 would be issued to the Vendor within five Business Days given that a number of undertakings set out in a supplemental agreement were completed within six months after the Completion Date (or such later date as Trinity Force Investments Limited and the Vendor).

The directors of the Company estimate that all undertakings set out in a supplemental agreement will be completed. The fair value of the derivative financial instrument approximates its carrying amount.

For details, please refer to the Company's announcement dated 24 November 2015.

28. OBLIGATION UNDER FINANCE LEASES

At 31 December 2015, the group had obligations under finance leases repayables as follows:

	2015		2014	
	Present value of the minimum lease payments **$'000**	**Total minimum lease payments** **$'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**155**	**192**	–	–
After 1 year but within 2 years	**164**	**192**	–	–
After 2 years but within 5 years	**513**	**579**	–	–
After 5 years	**—**	**—**	–	–
	677	**771**	–	–
	832	**963**	–	–
Less: total future interest expenses		**(131)**	–	–
Present value of lease obligations		**832**		–

29. BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank loans	**17,261**	38,008
Trust receipt loans	**9,240**	—
Other loans	**47,561**	25,838
Total borrowings	**74,062**	63,846
Secured (note (a))	**33,198**	44,779
Unsecured	**40,864**	19,067

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using an average effective interest rate of 7.34% (2014: 13.02%) and are within Level 2 of the fair value hierarchy.

Notes:

(a) Facilities

At 31 December 2015, the Group's borrowings were secured by:

(i) charges over certain of the Group's property, plant and equipment, prepaid land lease payments and investment properties (notes 13, 14 and 15) of aggregate carrying value of approximately HK$49,800,000 (2014: HK$68,246,000);

(ii) a personal guarantee by the Company's directors (note 38(iv)) of approximately HK$7,314,000 (2014: HK$7,822,000); and

(iii) a personal guarantee by a director of the Company's indirect non-wholly owned subsidiary (note 38(iv)) of approximately HK$3,759.000 (2014: HK$3,911,000).

29. BORROWINGS *(continued)*

Notes: (continued)

(b) Bank borrowings bear average effective interest rate of 7.34% annually (2014: 13.02% annually).

At 31 December 2015 and 31 December 2014, the borrowings, based on respective repayment schedules, were as follows:

	Bank borrowings and overdrafts		Trust receipts loan		Other loans		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Within 1 year	**14,811**	35,686	**9,240**	–	**47,335**	25,522	**71,386**	61,208
Between 1 and 2 years	**732**	544	**–**	–	**113**	136	**845**	680
Between 2 and 5 years	**1,718**	1,778	**–**	–	**113**	180	**1,831**	1,958
Over 5 years	**–**	–	**–**	–	**–**	–	**–**	–
	17,261	38,008	**9,240**	–	**47,561**	25,838	**74,062**	63,846

	Bank borrowings and overdrafts		Trust receipts loan		Other loans		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Wholly repayable within 5 years	**17,261**	38,008	**9,240**	–	**47,561**	25,838	**74,062**	63,846
Wholly repayable after 5 years	**–**	–	**–**	–	**–**	–	**–**	–
	17,261	38,008	**9,240**	–	**47,561**	25,838	**74,062**	63,846

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

	2015	2014
	HK$'000	HK$'000
US$	**13,000**	3,910
HK$	**20,601**	9,179
RMB	**40,461**	50,757
	74,062	63,846

30. CONVERTIBLE BONDS

(i) CB2014

On 17 September 2014, the Company issued the 3-year Convertible Bonds as part of the consideration for the acquisition of an associate. The Convertible Bonds are interest free and convertible into 906,666,666 ordinary shares of the Company at a conversion price of HK$0.15 per share, at any time up from the date of issue to the maturity on 16 September 2017, subject to certain conversion restrictions.

The fair value of the Convertible Bonds as at 17 September 2014 as a whole was calculated using Binomial Option Pricing Model, which was estimated to be approximately HK$417,121,000. For accounting purpose, the fair value of the Convertible Bonds is divided into a liability component and an equity component. The fair value of the liability component as at 17 September 2014 was calculated using discounted cash flow method, which was estimated to be approximately HK$88,087,000. At the issue date, the difference between the fair value of the Convertible Bonds and the fair value of its liability component of approximately HK$329,034,000 representing conversion option for the holder of the Convertible Bonds to convert the Convertible Bonds into ordinary shares of the Company was included in shareholders' equity of the Company (as convertible bonds equity reserve).

Any amount of the Convertible Bonds which remains outstanding on the maturity date shall be, subject to conversion restriction, converted. In the event that the outstanding principal amount cannot be converted due to conversion restriction, such amount shall be redeemed at its then outstanding principal amount.

During the year ended 31 December 2015, the Company issued 200,000,000 (2014: 706,666,665) ordinary shares of HK$0.10 each in relation to the conversion of the Convertible Bonds at the conversion price of HK$0.15 per share.

The fair value of the Convertible Bonds of approximately HK$417,121,000 at issue date is determined by using the Binomial Option Pricing Model, with the following key assumptions:

Fair value of shares of the Company	HK$0.46 per share
Conversion price	HK$0.15 per share
Coupon rate	0%
Risk free rate	0.78%
Time to maturity	3 years
Expected volatility	73.83%
Expected dividend yield	0%

The fair value of the liability component of approximately HK$88,087,000 at issue date is determined by using the discounted cash flow method, with the following key assumptions:

Time to maturity	3 years
Effective interest rate	15%

Note: The Convertible Bonds are measured under Level 3, inputs for the valuation are not based on observable market data (that is, unobservable inputs).

30. CONVERTIBLE BONDS *(continued)*

(ii) CB2015

On 7 August 2015, the Company issued the 3-year convertible bonds (the "**2015 Convertible Bonds**") as part of the consideration for the acquisition of a subsidiary. The 2015 Convertible Bonds are interest free and convertible into 499,329,577 ordinary shares of the Company at a conversion price of HK$0.225 per share, at any time up from the date of issue to the maturity on 7 August 2018, subject to certain conversion restrictions.

The fair value of the 2015 Convertible Bonds as at 7 August 2015 as a whole was calculated using Binomial Option Pricing Model, which was estimated to be approximately HK$102,508,000. For accounting purpose, the fair value of the 2015 Convertible Bonds is divided into a liability component and an equity component. The fair value of the liability component as at 7 August 2015 was calculated using discounted cash flow method, which was estimated to be approximately HK$78,421,000. At the issue date, the difference between the fair value of the 2015 Convertible Bonds and the fair value of its liability component of approximately HK$24,087,000 representing conversion option for the holder of the 2015 Convertible Bonds to convert the Convertible Bonds into ordinary shares of the Company was included in shareholders' equity of the Company (as convertible bonds equity reserve).

Any amount of the 2015 Convertible Bonds which remains outstanding on the maturity date shall be, subject to conversion restriction, converted. In the event that the outstanding principal amount cannot be converted due to conversion restriction, such amount shall be redeemed at its then outstanding principal amount.

During the year ended 31 December 2015, the Company issued 499,329,577 ordinary shares of HK$0.10 each in relation to the conversion of the 2015 Convertible Bonds at the conversion price of HK$0.225 per share.

The fair value of the 2015 Convertible Bonds of approximately HK$102,508,000 at issue date is determined by using the Binomial Option Pricing Model, with the following key assumptions:

Fair value of shares of the Company	HK$0.18 per share
Conversion price	HK$0.225 per share
Coupon rate	0%
Risk free rate	0.719%
Time to maturity	3 years
Expected volatility	80.03%
Expected dividend yield	0%

30. CONVERTIBLE BONDS *(continued)*

(ii) CB2015 *(continued)*

The fair value of the liability component of approximately HK$78,421,000 at issue date is determined by using the discounted cash flow method, with the following key assumptions:

Time to maturity	3 years
Effective interest rate	11.72%

Note: the 2015 Convertible Bonds are measured under Level 3, inputs for the valuation are not based on observable market data (that is, unobservable inputs).

	CB2014 HK$'000	CB2015 HK$'000	Total HK$'000
As at 1 January 2014			
Fair value of the convertible bonds	417,121	—	417,121
Equity component			
— Convertible bond equity reserve (note 41)	(329,034)	—	(329,034)
Liability component	88,087	—	88,087
Interest expenses	1,911	—	1,911
Converted into ordinary shares of the Company	(69,791)	—	(69,791)
Liability component at 31 December 2014 and 1 January 2015	20,207	—	20,207
Fair value of the convertible bonds	—	102,508	102,508
Equity component			
— Convertible bond equity reserve (note 41)	—	(24,087)	(24,087)
Liability component	20,207	78,421	98,628
Interest expenses	1,489	364	1,853
Converted into ordinary shares of the Company	(21,696)	(78,785)	(100,481)
Liability component at 31 December 2015	—	—	—

31. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities related to income tax levied by same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

As at 31 December 2015 and 2014, majority of the deferred income tax assets and deferred income tax liabilities are expected to be crystalised/realised more than twelve months after reporting period end, respectively.

The net movements in the deferred income tax account is as follows:

	2015 **HK$'000**	2014 HK$'000
Beginning of the year	**(29,459)**	(31,069)
(Charged)/credited to consolidated income statement (note 8)	**(113)**	1,798
Charged to equity (note 8)	**(562)**	(259)
Exchange difference	**1,342**	71
End of the year	**(28,792)**	(29,459)

The movements in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

Deferred income tax assets:

	Total **HK$'000**
Decelerated tax depreciation	
At 1 January 2014	353
Credited to consolidated income statement	24
At 31 December 2014 and 1 January 2015	**377**
Charged to consolidated income statement	**(69)**
At 31 December 2015	**308**

31. DEFERRED INCOME TAX *(continued)*

Deferred income tax liabilities:

	Accelerated tax depreciation HK$'000	Revaluation surplus on investment properties and leasehold land and buildings HK$'000	Exploration and evaluation assets HK$'000	Total HK$'000
At 1 January 2014	180	11,510	19,732	31,422
Charged to equity	—	259	—	259
Credited to consolidated income statement	(113)	(1,661)	—	(1,774)
Exchange difference	—	(3)	(68)	(71)
At 31 December 2014 and 1 January 2015	**67**	**10,105**	**19,664**	**29,836**
Charged to equity	**—**	**562**	**—**	**562**
Charged to consolidated income statement	**8**	**36**	**—**	**44**
Exchange difference	**—**	**(194)**	**(1,148)**	**(1,342)**
At 31 December 2015	**75**	**10,509**	**18,516**	**29,100**

The Group has tax losses arising in Hong Kong of approximately HK$11,153,000 (2014: HK$9,982,000) and the PRC of approximately HK$15,530,000 (2014: HK$15,530,000), which are available for offsetting against future taxable profits of the subsidiaries in which the losses arose, respectively. The tax losses arising in Hong Kong have no expiry date. The tax losses arising in the PRC will be fully expired in 2016. No deferred tax assets have been recognised due to the unpredictability of future taxable profit of these subsidiaries. Tax losses of approximately HK$26,683,000 (2014: HK$25,512,000) is subject to further approval by relevant tax authorities.

32. SHARE CAPITAL

		Number of shares		Ordinary share capital	
		2015	2014	**2015**	2014
	Notes			**HK$'000**	HK$'000
Authorised:					
Ordinary shares of HK$0.10 each	*(a)*	**30,000,000,000**	4,000,000,000	**3,000,000**	400,000
Issued and fully paid:					
At beginning of year		**2,578,377,599**	1,193,860,934	**257,838**	119,386
Issue of shares					
— on placement	*(b)*	**67,200,000**	274,200,000	**6,720**	27,420
— upon exercise of share options		**—**	3,650,000	**—**	365
— upon conversion of convertible bonds	*(c)*	**699,329,577**	706,666,665	**69,933**	70,667
— upon acquisitions	*(d)*	**199,000,000**	400,000,000	**19,900**	40,000
At end of year		**3,543,907,176**	2,578,377,599	**354,391**	257,838

Notes:

(a) On 30 December 2015, in order to facilitate (i) the issue of an aggregate of 9,546,000 ordinary shares granted pursuant to the 2002 share option scheme, (ii) the issue of an aggregate of 361,500,000 shares granted pursuant to the share option scheme to be issued by the Company, and the future expansion and growth of the Company, the Company increased its authorised share capital from HK$400,000,000 divided into 4,000,000,000 ordinary shares of HK$0.10 each to HK$3,000,000,000 divided into 30,000,000,000 ordinary shares of HK$0.10 each by the creation of additional 26,000,000,000 new ordinary shares of HK$0.10 each.

(b) On 21 April 2015, the Company and its placing agent entered into a conditional placing and subscription agreement in respect of the placement of 67,200,000 ordinary shares of HK$0.10 each of the Company to not less than six placees at the placing price of HK$0.174 per share. The placement and subscription of 67,200,000 ordinary shares of HK$0.10 each of the Company was completed on 4 May 2015. The premium on the issue of these shares amounting to approximately HK$4,668,000 in aggregate (after deducting placing expenses) was credited to the Company's share premium account for the year ended 31 December 2015.

(c) During the year ended 31 December 2015, the Company issued 699,329,577 ordinary shares of HK$0.10 each in relation to the conversion of the convertible bonds at the conversion price of HK$0.15 and HK$0.225 per share. The relevant portion of convertible bonds equity reserve in relation to the conversion of the convertible bonds during the year ended 31 December 2015 of approximately HK$96,668,000 was transferred to the Company's share capital and share premium account for the year ended 31 December 2015.

(d) On 3 March 2015 and 23 April 2015, pursuant to the acquisition of 20% equity interest in Eagle Praise Limited, the Company issued 75,000,000 ordinary shares of HK$0.10 each to Unicorn Sino Limited with an issue price of HK$0.22 per share, respectively. The premium on the issue of these shares amounting to HK$18,525,000 in aggregate was credited to the Company's share premium account for the year ended 31 December 2015. On 20 October 2015, pursuant to the acquisition of 19% equity interest in USO Management & Holding Co Ltd., the Company issued 49,000,000 ordinary shares of HK$0.10 each to Green Luxuriant Group Investment Limited with an issue price of HK$0.144 per share. The premium on the issue of these shares amounting to HK$1,225,000 in aggregate was credited to the Company's share premium account for the year ended 31 December 2015.

(e) All new ordinary shares issued during the reporting period rank pari passu in all respects with the existing shares of the Company.

33. ACQUISITION OF A SUBSIDIARY

On 7 August 2015, Wise Park Limited ("**Wise Park**"), a wholly-owned subsidiary of the Company, have been fulfilled and completed all the Conditions set out in the Sale and Purchase Agreement (the "**Sale and Purchase Agreement**") with Mr. Lin Xiong (林雄, the "**Vendor**"), an independent third party and the ultimate sole beneficial owner of the Shun Jun Ventures Limited (the "**Target Company**"). Pursuant to the Sale and Purchase Agreement, Wise Park acquired from the Vendor the entire issued share capital of the Target Company. As a result, the Target Company becomes an indirect wholly-owned subsidiary of the Company.

Recognised amount of identified assets and liabilities assumed at the date of acquisition are as follows:

	HK$'000
Prepayment, deposits & other receivables	106,708
Total identifiable net assets	106,708
Gain on bargain purchase	(4,200)
Total consideration paid	102,508

The consideration of the acquisition was settled by issue of the Initial Consideration CB as consideration by the Company in the principal amount of approximately HK$112,349,000 and the fair value of approximately HK$102,508,000.

On 7 August 2016, being the date of acquisition, the fair value of the Company's share of the net identifiable assets acquired, was approximately HK$106,708,000. Therefore, there is an excess of (i) the fair value of the Company's share of net identifiable assets acquired over (ii) the fair value of the consideration. As a result, a gain on bargain purchase of approximately HK$4,200,000 was recorded.

Gain on bargain purchase of approximately HK$4,200,000 has been credited to "other gains, net" in the consolidated income statement for the year ended 31 December 2015.

Target Company was acquired so as to step into property agency business in PRC. The receivable acquired in the transaction with the fair value of approximately HK$106,708,000 had gross contractual amount of approximately HK$106,708,000.

34. SHARE-BASED PAYMENT

The Company operates two share option schemes, namely the 2012 Share Option Scheme and the 2013 Share Option Scheme (collectively, the "**Share Option Schemes**") for the purpose of providing incentives and rewards to eligible participants who are invited at directors' discretion. The 2012 Share Option Scheme became effective on 28 May 2002 and was expired on 27 May 2012. Notwithstanding the expiration of the 2012 Share Option Scheme, its provisions would remain in force in all respects with respect to the outstanding share options granted under the 2012 Share Option Scheme. Due to the expiry of the 2012 Share Option Scheme, the Company adopted the 2013 Share Option Scheme which became effective on 31 May 2013.

Eligible participants, including executive directors, non-executive directors, shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the development of the Group are invited to take up options to subscribe for shares of HK$0.10 each in the share capital of the Company (each a "**Share**").

34. SHARE-BASED PAYMENT *(continued)*

The exercise price of the share options is determined by the directors, but shall not be less than the highest of (i) the closing price of the Shares on the date of the offer; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Share on the date of offer.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Schemes must not exceed 30% of the total issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the 2013 Share Option Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at 31 May 2013. The Company may seek approval of the Company's shareholders in general meeting for refreshing the 10% limit under the 2013 Share Option Scheme save that the total number of Shares which may be issued upon exercise of all options to be granted under the 2013 Share Option Scheme under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval of the limit.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Where any further grant of options to a participant would result in the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

The Group has no legal or constructive obligation to repurchase or settle the options. The consideration payable on the grant of an option is HK$1, for each grant transaction.

Details of the share options granted under the Share Option Schemes are as follows:

Share option type	Date of grant	Options granted	Exercise price	Exercise period
2006(a) (note (a))	19 June 2006	10,624,000	HK$0.5080	1 January 2007 to 18 June 2016
2006(b) (note (a))	19 June 2006	13,568,000	HK$0.5080	1 January 2007 to 18 June 2016
2007 (note (b))	5 July 2007	660,000	HK$3.7000	1 July 2008 to 18 June 2016
2009(a) (note (c))	27 October 2009	1,800,000	HK$2.0000	27 October 2010 to 27 October 2012
2009(b) (note (c))	27 October 2009	1,800,000	HK$3.0000	27 October 2011 to 27 October 2012
2009(c) (note (d))	21 December 2009	600,000	HK$2.1200	21 December 2009 to 21 December 2010
2009(d) (note (d))	21 December 2009	600,000	HK$2.1200	21 December 2010 to 21 December 2012
2009(e) (note (d))	21 December 2009	600,000	HK$3.0000	21 December 2011 to 21 December 2012
2010(a) (note (e))	11 January 2010	6,800,000	HK$2.0000	11 January 2010 to 11 January 2012
2010(b) (note (e))	11 January 2010	6,800,000	HK$3.0000	11 January 2010 to 11 January 2012
2012(a) (note (f))	29 March 2012	22,800,000	HK$0.3220	29 March 2012 to 28 March 2015
2012(b) (note (f))	29 March 2012	22,800,000	HK$0.3865	29 March 2012 to 28 March 2015
2014(a) (note (g))*	1 September 2014	105,000,000	HK$0.4000	1 September 2014 to 31 August 2019
2014(b) (note (g))*	1 September 2014	14,000,000	HK$0.4000	1 September 2015 to 31 August 2019
2015(a) (note (h))*	14 July 2015	243,000,000	HK$0.2320	14 July 2015 to 13 July 2018
2015(b) (note (i))*	20 July 2015	4,000,000	HK$0.2250	20 July 2015 to 19 July 2018
2015(c) (note (j))*	1 September 2015	4,800,000	HK$0.1308	1 September 2015 to 31 August 2018
Total		460,252,000		

* Options granted under the 2013 Share Option Scheme

34. SHARE-BASED PAYMENT *(continued)*

Notes:

(a) The share options granted on 19 June 2006 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage	
	2006(a)	2006(b)
1 January 2007 to 30 June 2007	50%	15%
1 July 2007 to 31 December 2007	50%	15%
1 January 2008 to 31 December 2008	No limit	35%
1 January 2009 to 31 December 2009	No limit	35%
1 January 2010 to 18 June 2016	No limit	No limit

(b) The share options granted on 5 July 2007 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage 2007
1 July 2008 to 30 June 2009	33.33%
1 July 2009 to 30 June 2010	33.33%
1 July 2010 to 30 June 2011	33.33%
1 July 2011 to 18 June 2016	No limit

(c) The share options granted to independent non-executive directors on 27 October 2009 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage	
	2009(a)	2009(b)
27 October 2010 to 27 October 2012	100%	0%
27 October 2011 to 27 October 2012	No limit	100%

(d) The share options granted on 21 December 2009 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage		
	2009(c)	2009(d)	2009(e)
21 December 2009 to 21 December 2010	100%	0%	0%
21 December 2010 to 21 December 2012	0%	100%	0%
21 December 2011 to 21 December 2012	0%	No limit	100%

(e) The share options granted to executive directors on 11 January 2010 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage	
	2010(a)	2010(b)
11 January 2010 to 11 January 2012	100%	100%

34. SHARE-BASED PAYMENT *(continued)*

Notes: (continued)

(f) The share options granted to executive directors, independent non-executive directors and employees on 29 March 2012 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage 2012(a)	2012(b)
29 March 2012 to 28 March 2015	100%	100%

(g) The share options granted to executive directors and employees on 1 September 2014 are exercisable in following manner:

Exercise period	Maximum exercisable percentage 2014(a)	2014(b)
1 September 2014 to 31 August 2019	100%	0%
1 September 2015 to 31 August 2019	No limit	33.57%
1 September 2016 to 31 August 2019	No limit	33.57%
1 September 2017 to 31 August 2019	No limit	32.86%

(h) the share options granted to directors, senior management, employees and a consultant on 14 July 2015 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage 2015(a)
14 July 2015 to 13 July 2018	100%

(i) the share options granted to employees on 20 July 2015 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage 2015(b)
20 July 2015 to 19 July 2018	100%

(j) the share options granted to a consultant on 1 September 2015 are exercisable in the following manner:

Exercise period	Maximum exercisable percentage 2015(c)
1 September 2015 to 31 August 2018	100%

34. SHARE-BASED PAYMENT *(continued)*

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

For the year ended 31 December 2015

	Share option type	Outstanding at 1 January	Granted during the year	Exercised during the year	Expired/ Forfeited during the year	Outstanding at 31 December	Exercisable at 31 December	Exercise price HK$
Employees	2006(a)	1,096,000	–	–	–	1,096,000	1,096,000	0.5080
	2006(b)	7,790,120	–	–	(120)	7,790,000	7,790,000	0.5080
	2007	660,000	–	–	–	660,000	660,000	3.7000
	2012(a)	13,800,000	–	–	(13,800,000)	–	–	0.3220
	2012(b)	14,800,000	–	–	(14,800,000)	–	–	0.3865
	2014(a)	105,000,000	–	–	–	105,000,000	105,000,000	0.4000
	2014(b)	14,000,000	–	–	–	14,000,000	4,700,000	0.4000
	2015(a)	–	243,000,000	–	–	243,000,000	243,000,000	0.2320
	2015(b)	–	4,000,000	–	–	4,000,000	4,000,000	0.2250
Non-employees	2015(c)	–	4,800,000	–	–	4,800,000	4,800,000	0.1308
		157,146,120	251,800,000	–	(28,600,120)	380,346,000	371,046,000	
		HK$	HK$	HK$	HK$	HK$	HK$	
Closing price								
2015(a)		–	0.2320	–	–	–	–	
2015(b)		–	0.2190	–	–	–	–	
2015(c)		–	0.1220	–	–	–	–	
Weighted average closing price		–	–	–	–	–	–	
Weighted average exercise price		0.4118	0.2300	–	0.3554	0.2957	0.2931	

34. SHARE-BASED PAYMENT *(continued)*

For the year ended 31 December 2014

	Share option type	Outstanding at 1 January	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December	Exercisable at 31 December	Exercise price HK$
Employees	2006(a)	1,096,000	—	—	—	1,096,000	1,096,000	0.5080
	2006(b)	8,040,120	—	(250,000)	—	7,790,120	7,790,120	0.5080
	2007	660,000	—	—	—	660,000	660,000	3.7000
	2012(a)	16,000,000	—	(2,200,000)	—	13,800,000	13,800,000	0.3220
	2012(b)	16,000,000	—	(1,200,000)	—	14,800,000	14,800,000	0.3865
	2014(a)	—	105,000,000	—	—	105,000,000	105,000,000	0.4000
	2014(b)	—	14,000,000	—	—	14,000,000	—	0.4000
		41,796,120	119,000,000	(3,650,000)	—	157,146,120	143,146,120	

	HK$	HK$	HK$	HK$	HK$	HK$
Closing price	—	0.2950#	—	—	—	—
Weighted average closing price	—	—	0.5355	—	—	—
Weighted average exercise price	0.4407	0.4000	0.3559	—	0.4118	0.4130

\# the closing price immediately before the date of grant

34. SHARE-BASED PAYMENT *(continued)*

The estimated fair value of options granted under the Share Option Schemes on 14 July 2015, 20 July 2015 and 1 September 2015, measured at date of grant, was approximately HK$27,995,000, HK$429,000 and HK$283,000, respectively. The following significant assumptions and estimates were used by an independent valuer to derive the fair value of the options granted during the year ended 31 December 2015, using the Black-Scholes Options Pricing Model:

		Date of grant	
	14 July 2015 2015(a)	**20 July 2015 2015(b)**	**1 September 2015 2015(c)**
Expected volatility	108.54%	108.68%	109.58%
Expected life	1.5	1.5	1.5
Risk-free interest rate	0.75%	0.73%	0.82%
Expected dividend yield	Nil	Nil	Nil

The Group recognised HK$29,749,000 (2014: HK$14,392,000) (note 41) share-based payment expenses in the consolidated income statement for the year ended 31 December 2015, of which the amount has been included as staff costs, and the corresponding amount has been credited to share-based payment reserve.

If the options remain unexercised after the exercise period, the options expire. Options are forfeited if an employee leaves the Group before the options expire. For the year ended 31 December 2015, the total carrying value of expired/forfeited options is HK$2,736,000 (2014: HK$Nil) (note 41) which has been transferred from share-based payment reserve to accumulated losses.

35. CONTINGENT LIABILITIES

At 31 December 2015 and 2014, the Group had no contingent liability respectively.

36. CAPITAL COMMITMENTS

At 31 December 2015 and 2014, the Group had no capital commitments respectively.

37. LEASE COMMITMENTS

At 31 December 2015, the Group's future aggregate minimum lease receivables and payables under non-cancellable operating leases are as follows:

	2015 HK$'000	2014 HK$'000
As lessor:		
No later than 1 year	639	637
Later than 1 year and no later than 5 years	4	500
	643	1,137
As lessee:		
No later than 1 year	10,429	11,418
Later than 1 year and no later than 5 years	9,073	18,397
	19,502	29,815

Operating lease receivables represented rental receivables of the Group for its investment properties under operating lease arrangements, with leases negotiated for average terms of one year and rental are fixed over the lease terms and do not include contingent rentals.

Operating lease payables represented rental payables of the Group for its offices and operational premises. Leases are negotiated mainly for an average term of one to five years and rental are fixed over the lease terms and do not include contingent rentals.

38. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with its related parties:

(i) Particulars of significant transactions between the Group and related parties

	2015 HK$'000	2014 HK$'000
Product development, sale and marketing services fee paid to a related company (note a)	**2,655**	1,794

Note:

(a) The sole owner of the related company is also the director and beneficial owner of 49% (2014: 49%) equity interest in the Company's subsidiary paying for the services.

(ii) Outstanding balance with related parties

	2015 HK$'000	2014 HK$'000
Prepayment, deposits and other receivables		
— Amount due from a related company	**174**	3
— Amount due from a non-controlling interest	**700**	925
	874	928

The amounts due from related parties are unsecured, interest free and repayment on demand.

(iii) Key management compensation

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	**18,169**	12,384
Share-based payments	**7,147**	1,887
Retirement benefits scheme contributions	**216**	194
	25,532	14,465

(iv) Guarantee provided by related parties

At 31 December 2015, the Group's borrowings of approximately HK$7,314,000 (2014: HK$7,822,000) and HK$3,759,000, (2014: HK$3,911,000) were secured by a personal guarantee by the Company's directors and a director of the Company's indirect non-wholly owned subsidiary, respectively (note 29(a)(ii) and (iii)).

39. LITIGATIONS

There are litigations being undertaken against the Group as at and after the end of the reporting period, details of which are summarized as follows:

(a) Wing Siu

Pursuant to a tenancy agreement dated 23 September 2014 entered into between Wing Siu Company Limited ("**Wing Siu**") as landlord and Super Dragon Management Limited ("**Super Dragon**"), a wholly-owned subsidiary of the Company, as tenant, and the Company as guarantor to Super Dragon, Wing Siu agreed to let Super Dragon the premises located at 19th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong (the "**Wanchai Property**") for a term of three years from 15 December 2014 to 14 December 2017.

On 11 December 2015, Super Dragon and the Company received from Wing Siu a writ of summons issued in the Court of First Instance in the High Court of the Hong Kong Special Administrative Region (the "**High Court**") with an indorsement of claim against Super Dragon and the Company jointly for (i) vacant possession of the Wanchai Property; (ii) the outstanding total amount of rent, management fees, interests and other charges of approximately HK$1,561,000 as at 3 December 2015; (iii) rent, management fees and rates from 1 January 2016 to the date of delivery of vacant possession of the Wanchai Property; (iv) damage for breach of the tenancy agreement to be assessed; (v) interest; (vi) costs; and (vi) further or other relief.

On 24 December 2015 and 4 March 2016, the Company made a payment of approximately HK$1,569,000 to settle the above said sum and the interest calculated up to 24 December 2015, and a payment of HK$500,000 as partial payment of the rental of January 2016, respectively.

As Super Dragon and the Company had not filed a defence, the High Court entered judgment on 11 March 2016 (the "**Judgment**") that (i) Super Dragon to give Wing Siu vacant possession of the Wanchai Property; (ii) Super Dragon and the Company to pay the judgment sum of approximately HK$1,561,000; (iii) rent, management fees and rates from 1 January 2016 to the date of delivery of vacant possession of the Wanchai Property; (iv) interest on the sum of approximately HK$1,561,000 at judgment rate 8%; (v) damage for breach of the tenancy agreement to be assessed; and (vi) cost of this action.

On 16 March 2016, the Company received a statutory demand from Wing Siu in relation to the Judgment. Wing Siu demand the Company to pay approximately HK$1,800,000 representing rent, management fees and other charges from 1 January 2016 calculated up to 16 March 2016 and which is due and payable by Super Dragon.

As at the date of this report, the Company is liaising with Wing Siu and expects to settle the above claim in April 2016.

39. LITIGATIONS *(continued)*

(b) Ultimate Dream

Pursuant to a tenancy agreement dated 7 November 2014 entered into between Ultimate Dream Enterprises Limited ("**Ultimate Dream**") as landlord and Super Dragon, as tenant, Ultimate Dream agreed to let Super Dragon the premises located at 20th Floor, Hong Kong Diamond Exchange Building, 8–10 Duddell Street, Central, Hong Kong (the "**Central Property**") for a term of two years from 1 September 2014 to 31 August 2016.

On 5 February 2016, Super Dragon received from Ultimate Dream a writ of summons issued in the High Court with an indorsement of claim against Super Dragon for (i) vacant possession of the Central Property; (ii) the outstanding total amount of rent, management fees and rates of approximately HK$724,000 as at 4 February 2016; (iii) rent, management fees and rates from 1 March 2016 to the date of delivery of vacant possession of the Central Property; (iv) interest on the sum of approximately HK$724,000; (v) further and/or other relief; and (vi) cost of this action.

On 4 March 2016, Super Dragon received from Ultimate Dream a notice of intention to enter judgment against Super Dragon.

As at the date of this report, the Company is liaising with Ultimate Dream and expects to settle the above claim in April 2016.

(c) Others

On 1 March 2016, the Company received a statutory demand from REF Financial Press Limited for approximately HK$199,000 being outstanding fees for its professional service rendered to the Company. As at the date of this report, HK$100,000 was already settled and the Company expects to settle the remaining amount in April 2016.

On 16 March 2016, Super Dragon received a claim from Gether Profit Limited for approximately HK$46,000 being outstanding fees for its professional service rendered to Super Dragon. The Company expects to settle this claim in April 2016.

On 21 March 2016, the Company received a statutory demand from Asian Capital (Corporate Finance) Limited for HK$50,000 being outstanding fees for its professional service rendered to the Company. The Company expects to settle this claim in April 2016.

40. EVENTS AFTER THE REPORTING PERIOD

(i) Acquisition of a property sale business in the PRC

With reference to the sale and purchase agreement (the "**Sale and Purchase Agreement**") dated 20 July 2015 entered into between Wise Park Limited ("**Wise Park**"), a wholly owned subsidiary of the Company and Mr. Lin Xiong (林雄), an independent third party and the ultimate sole beneficial owner of Shun Jun Ventures Limited (the "**Shun Jun**"), regarding Wise Park's acquisition of the entire equity interest of Shun Jun (the "**Acquisition**") and the completion of the Acquisition.

On 2 February 2016, according to information from Shun Jun, four permits or certificates, namely Land certificate* (土地證), Property Developing Quality Certificate* (房地產開發資質證書), Construction Approval* (施工許可證), Planning Approval* (規劃許可證), have to be obtained as pre-requisite for the obtaining of the Pre-sale Permit. However, one of the above mentioned certificates, namely the Property Developing Quality Certificate* (房地產開發資質證書), was found to have expired while applying for the Pre-sale Permits. As such, the developer of this property project is in the progress of renewing the Property Developing Quality Certificate. Upon the renewal of the Property Developing Quality Certificate, the developer would re-initiate the application of the Pre-sale Permits as soon as practicable and would expect the Pre-sale Permits to be successfully obtained before 30 April 2016 based on the experience of the management of the developer.

For details, please refer to the Company's announcements dated 20 July 2015, 30 July 2015, 7 August 2015, 8 January 2016 and 2 February 2016.

* *For identification only*

(ii) Acquisition of tea products and tea wares products related business in the PRC

With reference to the sales and purchase agreements (the "**Sale and Purchase Agreements**") dated 18 December 2015 entered into between Fujian Qiaoxiong Jiuye Limited* (福建僑雄酒業有限公司) ("**Qiaoxiong**"), a wholly owned subsidiary of the Company, Ms. Lin Qunzhu (林群珠) and Mr. Li Qingsheng (李清生), both are independent third parties and the ultimate beneficial owners of Fujian Yuguo Chaye Limited* (福建鈺國茶業有限公司) (the "**Fujian Yuguo Chaye**"), regarding Qiaoxiong's acquisition of 33% equity interest of Fujian Yuguo Chaye (the "**Acquisition**"). All the Conditions set out in the Sale and Purchase Agreements have been fulfilled on or before 1 January 2016, and the Completion took place on 4 January 2016.

On 22 January 2016, the Company entered into the Subscription Agreement under which the Promissory Note 1 and Promissory Note 2 of HK$57,264,480 and HK$10,225,800 respectively would be used to fully set off the subscription monies for the Convertible Bonds in the principal amount of HK$67,490,280 with the rights to convert into 674,902,800 Conversion Shares at an initial Conversion Price of HK$0.10 (subject to adjustments) per Conversion Share.

For details, please refer to the Company's announcement dated 18 December 2015, 5 January 2016 and 22 January 2016.

40. EVENTS AFTER THE REPORTING PERIOD *(continued)*

(iii) MOU in relation to an acquisition of wine business in PRC

With reference to the memorandum of understanding (the "**MOU**") dated 16 October 2014 entered into between Kiu Hung Health Food Company Limited ("**KH Health Food**"), a wholly owned subsidiary of the Company, and Rising Fortune Group Limited, an independent third party, regarding an acquisition of certain equity interests of a target company (the "**Possible Acquisition**"), on 15 July 2015 and 14 August 2015, in order to allow additional time for KH Health Food to conduct due diligence review relating to the target company and its subsidiaries (the "**Target Group**") and for the parties' further negotiation of the terms of the Possible Acquisition, the parties to the MOU entered into the tenth supplemental letter to the MOU respectively to extend the expiry date of the exclusivity period to 15 April 2016.

The Target Group is principally engaged in wine business in the PRC with principal assets of inventories, machineries and equipment. The acquisition may or may not materialise and is subject to the execution and completion of a formal sales and purchase agreement.

For details, please refer to the Company's announcements dated 16 October 2014, 13 January 2015, 12 April 2015, 15 May 2015, 15 June 2015, 15 July 2015, 14 August 2015, 8 September 2015, 15 September 2015, 12 October 2015, 15 October 2015, 3 November 2015, 15 December 2015 and 16 February 2016.

* *For identification only*

(iv) Acquisition of noni fruit plantation business

With reference to the acquisition of 19% equity interest of USO Management & Holding Co Ltd., the Company entered into the Subscription Agreement on 25 January 2016 with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe or procure subscription by its nominee(s) for the Convertible Bonds in the principal amount of HK$100,766,562 with the rights to convert into 877,757,508 Conversion Shares at an initial Conversion Price of HK$0.1148 (subject to adjustments) per Conversion Share. The subscription monies payable by the Subscriber or procured by the Subscriber to be payable by its nominee(s) will be satisfied by fully setting off against the Promissory Notes of HK$100,766,562.

For details, please refer to the Company's announcement dated 25 January 2016.

(v) Acquisition of additional equity interest tangerine plantation business

On 11 January 2016, Kiu Hung Properties Company Limited, an indirect wholly owned subsidiary of the Company (the "**Purchaser**") and Delight Grace Limited (the "**Vendor**") entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares for a consideration of HK$70,000,000, which will be satisfied by the issue of Consideration Shares by the Company at Completion. The Sale Shares represent 12% of the issued share capital of Multijoy Developments Limited as at the date of this report.

Completion took place on 27 January 2016. As such, 700,000,000 Consideration Shares have been allotted and issued to the Vendor.

For details, please refer to Company's announcements dated 11 January 2016 and 27 January 2016.

40. EVENTS AFTER THE REPORTING PERIOD *(continued)*

(vi) Acquisition of arts and cultural related business

With reference to the acquisition 19 pieces of ceramics that was completed on 27 March 2015, the Company entered into the Subscription Agreement on 11 March 2016 with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe the Convertible Bonds in the principal amount of HK$31,500,000 with the rights to convert into 315,000,000 Conversion Shares at an initial Conversion Price of HK$0.10 (subject to adjustments) per Conversion Share. The subscription monies payable by the Subscriber will be satisfied by fully setting off against the Promissory Notes of HK$31,500,000.

For details, please refer to Company's announcement dated 11 March 2016.

(vii) Adoption of Share Award Scheme

On 21 January 2016, the Board of the directors of the Company had approved the adoption of the Share Award Scheme. The purposes and objectives of the Share Award Scheme are to provide incentives and reward the contributions of certain employees and directors of the Group. The Share Award Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. Pursuant to the Share Award Scheme, existing issued Shares may be acquired by the Trustee on the open market, at the direction and cost of the Group, and new Shares may be allotted and issued to it under the general mandate granted or to be granted by the Shareholders at general meetings from time to time, and be held in trust for the relevant Selected Participants until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the Share Award Scheme.

For details, please refer to the Company's announcements dated 1 February 2016 and 5 February 2016.

(viii) Litigations

Subsequent to the financial reporting period, the Group received a number of legal claims, details of which have been disclosed in Note 39.

41. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2015 HK$'000	2014 HK$'000
Non-current assets		
Investments in subsidiaries	685,634	337,431
	685,634	337,431
Current assets		
Prepayments, deposits and other receivables	1	1
Bank and cash balances	35	6,477
	36	6,478
Total assets	685,670	343,909
Current liabilities		
Accruals and other payables	32,421	17,293
Due to subsidiaries	11,133	11,727
Derivative financial liabilities	9,403	—
Promissory notes	144,930	—
Borrowings	12,726	6,357
	210,613	35,377
Net current liabilities	(210,577)	(28,899)
Total assets less current liabilities	475,057	308,532
Non-current liabilities		
Promissory notes	78,270	—
Convertible bonds	—	20,207
	78,270	20,207
Net assets	396,787	288,325
Equity		
Share capital	354,391	257,838
Reserves	42,396	30,487
Total equity	396,787	288,325

The statement of financial position of the Company was approved by the board of directors of the Company on 31 March 2016 and were signed on its behalf.

Hui Kee Fung
Director

Yu Won Kong, Dennis
Director

41. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	984,947	125,161	7,393	—	(1,097,637)	19,864
Total comprehensive loss for the year	—	—	—	—	(513,950)	(513,950)
Transactions with equity holders						
Issue of shares upon exercise of share options	1,387	—	(422)	—	—	965
Issue of shares on placements	37,058	—	—	—	—	37,058
Issue of convertible bonds (note 30)	—	—	—	329,034	—	329,034
Issue of shares upon conversion of convertible bonds	255,577	—	—	(256,453)	—	(876)
Issue of Consideration Shares	144,000	—	—	—	—	144,000
Recognition of share-based payment (note 34)	—	—	14,392	—	—	14,392
Total transactions with equity holders	438,022	—	13,970	72,581	—	524,573
At 31 December 2014	1,422,969	125,161	21,363	72,581	(1,611,587)	30,487
At 1 January 2015	**1,422,969**	**125,161**	**21,363**	**72,581**	**(1,611,587)**	**30,487**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(96,893)**	**(96,893)**
Transactions with equity holders						
Issue of shares on placements (note 32(b))	**4,668**	**—**	**—**	**—**	**—**	**4,668**
Issue of convertible bonds (note 30)	**—**	**—**	**—**	**24,087**	**—**	**24,087**
Issue of shares upon conversion of convertible bonds (note 32(c))	**127,216**	**—**	**—**	**(96,668)**	**—**	**30,548**
Issue of Consideration Shares (note 32(d))	**19,750**	**—**	**—**	**—**	**—**	**19,750**
Recognition of share-based payment (note 34)	**—**	**—**	**29,749**	**—**	**—**	**29,749**
Release on forfeiture of share options (note 34)	**—**	**—**	**(2,736)**	**—**	**2,736**	**—**
Total transactions with equity holders	**151,634**	**—**	**27,013**	**(72,581)**	**2,736**	**108,802**
At 31 December 2015	**1,574,603**	**125,161**	**48,376**	**—**	**(1,705,744)**	**42,396**

Loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$96,893,000 (2014: HK$513,950,000).

42. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2016.

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the published consolidated results and statement of assets and liabilities of the Group for the last five years:

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**223,313**	229,022	169,910	192,803	184,550
(Loss)/profit before income tax	**(85,394)**	(508,965)	(73,671)	(654,881)	(39,032)
Income tax credit/(charge)	**(1,858)**	293	3,921	149,945	(1,155)
(Loss)/profit for the year	**(87,252)**	(508,672)	(69,750)	(504,936)	(40,187)
Attributable to:					
Equity holders of the Company	**(89,665)**	(509,606)	(71,826)	(508,859)	(40,539)
Non-controlling interests	**2,413**	934	2,076	3,923	352
	(87,252)	(508,672)	(69,750)	(504,936)	(40,187)

ASSETS AND LIABILITIES

	31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**807,433**	461,777	301,084	376,933	976,425
Total liabilities	**(406,405)**	(168,586)	(161,626)	(175,921)	(294,958)
Net assets	**401,028**	293,191	139,458	201,012	681,467
Equity attributable to equity holders of the Company	**389,598**	284,174	131,375	195,005	679,383
Non-controlling interests	**11,430**	9,017	8,083	6,007	2,084
Total equity	**401,028**	293,191	139,458	201,012	681,467

Notes:

(1) The consolidated income statement for the years ended 31 December 2015 and 2014 are set out on page 33 of this annual report.

(2) The consolidated statement of financial position at 31 December 2015 and 31 December 2014 are set out on pages 35 to 36 of this annual report.