



**珠光控股**  
ZHUGUANG HOLDINGS

# ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

(incorporated in Bermuda with limited liability)



**ANNUAL REPORT 2015**

Stock Code: 1176

*\*For identification purposes only*



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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (*Chairman*)  
Mr. Liao Tengjia (*Chief Executive Officer*)  
Mr. Huang Jiajue (*Deputy Chairman*)  
Mr. Chu Muk Chi (alias Mr. Zhu La Yi)  
Ms. Ye Lixia

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wo Ping *JP*  
Mr. Wong Chi Keung  
Dr. Feng Ke

## AUDIT COMMITTEE

Mr. Leung Wo Ping *JP* (*Committee Chairman*)  
Mr. Wong Chi Keung  
Dr. Feng Ke

## REMUNERATION COMMITTEE

Mr. Wong Chi Keung (*Committee Chairman*)  
Mr. Leung Wo Ping *JP*  
Mr. Huang Jiajue

## NOMINATION COMMITTEE

Mr. Wong Chi Keung (*Committee Chairman*)  
Mr. Leung Wo Ping *JP*  
Mr. Huang Jiajue

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

Room 5702-5703, 57th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

## COMPANY SECRETARY

Mr. Ng Hoi Leung Leo

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
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## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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183 Queen's Road East  
Hong Kong

## AUDITOR

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29th Floor Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

## LEGAL ADVISORS ON HONG KONG LAW

Leung & Lau, Solicitors  
Units 7208-10, 72nd Floor  
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99 Queen's Road Central  
Central  
Hong Kong

## LEGAL ADVISORS ON BERMUDA LAW

Conyers Dill & Pearman  
2901 One Exchange Square  
8 Connaught Place Central  
Hong Kong



## PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited  
Agricultural Bank of China Hong Kong Branch  
China Construction Bank (Asia) Corporation Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Bank of China Limited

## WEBSITE

[www.zhuguang.com.hk](http://www.zhuguang.com.hk)

## STOCK CODE

1176

# CHAIRMAN'S STATEMENT

I herein present the results and operations of Zhuguang Holdings Group Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

## RESULTS

The audited consolidated profit attributable to the owners of the Company for the year ended 31 December 2015 was approximately HK\$591,409,000 and the basic earnings per share was HK12.27 cents, as compared to the consolidated profit of approximately HK\$180,208,000 and basic earnings per share of HK4.24 cents for 2014.

## NET ASSET VALUE

The consolidated net asset value per share attributable to the owners of the Company as at 31 December 2015 was approximately HK\$0.79 based on 4,818,312,935 shares in issue, as compared to approximately HK\$0.70 per share as at 31 December 2014.

## BUSINESS REVIEW

The policies for the property market changed from gradual relaxing to comprehensive favourable in 2015. The favourable policies facilitated the smooth recovery of property sales across China. The government enforce the important role of property in promoting consumption and stimulating investments. During the year, the People's Bank of China had reduced the required reserve ratio and interest rate, which resulted in the releasing the pressure on market liquidity and decrease the financing cost. Because of these favourable factors and policy support resulting from gradual release of purchase restriction on the purchase of second property in some cities, the domestic property market experienced a stable demand.

The aforesaid easing measures have effectively driven the recovery of the property market and boosted property purchases by first-time property buyers as well as upgraders. The Group recorded a 26.9% increase in total sum under contracted sales and purchase agreements from year 2014 HK\$1.30 billion to year 2015 HK\$1.65 billion.

## OUTLOOK

The global economy faces greater challenges and uncertainties as the economic recovery continues to remain weak in the coming future. The property market is still playing a significant role in GDP growth, the industry policy will be more loosening and the sustainable development of urbanisation will be the key drive for property market growth in China. "De-stocking" will remain the key focus of property industry as well. The market will face restructuring along with the stable growth of the market, the fierce market competition, increasing degree of concentration of the industry and the regional diversification becoming distinct, which will be favourable to the fairly competitive developers to capture the opportunities for more rapid and better development.

Looking forward to 2016, the central government is expected to continue to pursue inventory de-stocking to ensure stable development in the property market. As a result, the property markets in first-tier and second-tier cities will continue to benefit from various supportive measures. The Group will continue to operate under a diversified business model and focusing on property development in first-tier and key second-tier cities.

## APPRECIATION

On behalf of the Board, I would like to thank our management team and every staff member of the Group, the growth of the Group would not have been possible without your dedication and contribution. We would also like to express our appreciation to investors, customers and business partners for their strong support and confidence in the Group. The management and staff of the Group will continue to dedicate their professional knowledge with excellent team spirit to overcome every difficulty ahead so as to achieve more outstanding results.

**Chu Hing Tsung**

*Chairman*

Hong Kong, 26 April 2016

# MANAGEMENT DISCUSSION AND ANALYSIS





## BUSINESS REVIEW

In 2015, the China Government is facing uncertain economic situations including downward pressure in economic growth and pressure on the high stock level, the government put greater emphasis on the important role of real estate in promoting consumption and stimulating investment by implemented a series of policies to achieve a balance between steady growth and structure adjustment. These policies focused on exploring the potential housing consumption and encouraged demand to recover, boost the confidence of investors and facilitated the smooth recovery of property sales across China.

In general, under the relaxing financial policies and stable monetary policies, the growth rate of the economy gradually stabilised; meanwhile, with reasonable and sufficient market liquidity maintained by stable monetary policies, the corporate financial costs have reduced, resulting in a relatively improved financial environment. The aforesaid easing measures have effectively driven the recovery of the property market and boosted property purchases by first-time homebuyers as well as upgraders. The Group will continue to focus on specific areas and develop various types of projects targeting different customers, such as those with a rigid demand and those with a need for improving living conditions.

### Property Development and Sales

By facilitating sales of properties and adopting flexible pricing policies, the Group's total sum of contracted sales and purchase agreements for 2015 amounted to approximately HK\$1,648,136,000, while the corresponding contracted gross floor area ("GFA") was approximately 107,796 square meters ("sqm"). The details of contracted sales and the GFA sold of the Group are set out below:

<b>Projects</b>	<b>Total sum under contracted sales and purchase agreements</b> HK\$'000	<b>GFA sold</b> sqm
Zhukong International	888,074	18,738
Zhuguang Yujing Scenic Garden ("Yujing Scenic Garden")	510,255	61,167
Pearl Tianhu Yujing Garden ("Tianhu Yujing")	197,294	26,978
Central Park	52,513	913
	1,648,136	107,796







## MANAGEMENT DISCUSSION AND ANALYSIS

It is expected that the following projects will be available for sale/pre-sale and/or leasing in 2016:

	<b>Expected Pre-sale commencement date</b>	<b>GFA available for sale (sqm)</b>	<b>Usage</b>
Yujing Scenic Garden — Phase I, II and District I of Phase III	1st quarter	105,833	Sale
— District II of Phase III	3rd quarter	79,011	Sale
Tianhu Yujing — Phase I	1st quarter	44,957	Sale
— Phase II	2nd quarter	60,992	Sale
Zhukong International	1st quarter	15,850	Leasing
	2nd quarter	4,911	Sale
Central Park	1st quarter	1,084	Sale/leasing
Pearl Yijing	1st quarter	72,413	Sale
		<u>385,051</u>	

As at 31 December 2015, the Group owned the following property development projects and the details are as follows:

### *Nansha Scenic — 100% interest*

“Nansha Scenic” is located at Jinzhou Main Street, Nansha District, Guangzhou, the PRC, which is the central business district in Nansha. The project was completed and only certain car parks are available for sale.

### *Zhukong International — 80% interest*

“Zhukong International” is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, which is at the junction of Guangzhou Avenue and Huang Pu Da Dao. It is developed into a 35-storey high-rise commercial complex including a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park. The aggregate GFA was approximately 133,297 sqm. The building was completed and already delivered in 2014 and 2015 with total GFA approximately to 41,412 sqm. During the year, approximately 17,988 sqm was leased out, the remaining portions are either for sale or leasing.

### *Central Park — 100% interest*

“Central Park” is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou, the PRC, and is entitled to total GFA of approximately 34,852 sqm, which will be developed into a 30-storey building including service apartments, a street-level commercial podium and a 4-storey underground car park. During the year, approximately 21,658 sqm was delivered and the remaining service apartments will be delivered in 2016. The street-level commercial podium will be leased out or for sale depends on the market conditions.



Central Park 珠光新城國際

### *Yujing Scenic Garden — 70% interest*

“Yujing Scenic Garden” is located at Provincial Highway G105 line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou, the PRC, which is well connected via a number of highways to and from Guangzhou. The project is a 20-minute drive from the downtown Conghua and a 10-minute drive from Wenquan Town, Conghua. The project site area is approximately 294,684 sqm and will be developed into a commercial and residential complex, comprising residential and commercial buildings, service apartments and car parks. According to the latest design, the total GFA is expected to be approximately 886,270 sqm. The

proposed development will be divided into four phases. Phase I and part of the Phase II already delivered 222,960 sqm in total, the remaining part of Phase II will be delivered in 2016. Phase III and IV with total GFA of approximately 432,853 sqm is expected to be completed in 2017 and 2018.

### *Tianhu Yujing — 100% interest*

“Tianhu Yujing” is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou, the PRC, with a site area of approximately 55,031 sqm. The land is located adjacent to Yujing Scenic Garden, and the Group considered developing the land together with Yujing Scenic Garden to expand the Group’s development and presence in Conghua. The project will be developed into 5 blocks of 32-storey modern residential buildings with total GFA of approximately 240,296 sqm. The development is divided into two phases. Phase I was commenced pre-sale in the 4th quarter of 2014 and expected to be delivered in 2016. Phase II will be launched for per-sale in the second quarter of 2016.

### *Yunshan Yujing — 100% interest*

“Yunshan Yujing” is situated near Baiyun Mountain in the Baiyun District, Guangzhou, a traditional hub of high-end property market in Guangzhou City. The site neighbours on well-established residential and commercial communities and is only 15-minute drive away from the central business district of Guangzhou City. During the year under review, the Group has disposed its entire equity interests to an independent third party. For detail please refer to the announcement and circulars of the Company dated 4 January 2016 and 24 March 2016 respectively.



Zhukong International 珠控國際中心

## MANAGEMENT DISCUSSION AND ANALYSIS



Yujing Scenic Garden

The total GFA is expected to be approximately 124,521 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 43,004 sqm and Phase II comprising 28 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 81,517 sqm. The villas and apartment buildings will be selling the rights to occupy the properties upon completion, whilst the hotel will be retained as a long-term investment asset of the Group.

### *Pearl Yijing — 100% interest*

“Pearl Yijing” is located at No.168 Xinkai Street, Xianghe County, Hebei Province, the PRC. The project will be developed into several residential buildings with total GFA of approximately 193,629 sqm. The foundation works were already commenced and the pre-sale was commenced in the 1st quarter of 2016.

### Land Bank

The Group’s strategy is to maintain a portfolio of land bank which is sufficient to support the Group’s own development pipeline for at least three years. During the year under review, the Group did not acquire any additional land except for a few potential projects under negotiation. The Group continues to explore new opportunities in cities the Group already invested in and explore into new cities in PRC with growth potential and best investment value.

### Property Investments

The Group owns certain floors of Royal Mediterranean Hotel (“Hotel”) located at 518 Tianhe Road, Tianhe District, Guangzhou, the PRC, as a leased property with GFA of approximately 18,184 sqm. During the year, certain part of Zhukong International were leased out with approximately 17,988 sqm, and it is the intention of the Group to retain part of the Zhukong International and Hotel as investment properties in order to keep a steady income stream to the Group. The Group will continue to seek high quality properties for investment purposes in the future.

### *Pearl Yunling Lake — 100% interest*

“Pearl Yunling Lake” is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown of Guangzhou. The project site area is approximately 200,083 sqm, of which approximately 139,182 sqm will be developed and the remaining area will be reserved for public facilities. According to the latest design, the project will be developed into an integrated tourism project by selling the land use rights.



Tianhu Yujing 天湖御景

## Project management services

The Group commenced a new business segment targeting the property development industry in the PRC and the Group has provided project and construction management services to customers in this target market since 2014. Although this year, there is no contribution from this segment, the Group will continue to expand this business by utilising its expertise in project management in order to increase the source of revenue in future.

## Principal risks and uncertainties

A number of factors may affect the results and business operations of the Group, the summary of which is as follows:

### *Fierce industry competition*

The fierce competition among property developers may lead to the increase in acquisition costs of land and construction costs in prime location in China, the over-provision of properties, decrease in price of the properties and slower approval and review of new property development projects by the relevant government authority as well as increase in human resource costs.

### *Fluctuation risk of exchange rates*

The Group focuses on operations in China, and as a result, most revenues and expenses are denominated in RMB. The exchange rates of the RMB against the U.S. dollars and other foreign currencies fluctuate and are affected by, among other things, the policies of the PRC Government and changes in the PRC's and international political and economic conditions.

### *Fluctuation of interest rates*

The Group relied on interest bearing debts as one of the important financing sources to fund its operations. Most of the loans are RMB denominated except for the Senior Notes, thus, any changes in interest rates in the PRC will affect the finance costs of the Group.

### *External contractors and suppliers*

In the event that the performance of the external contractors and suppliers entrusted by the Group falls short of the standards, or they encounter financial, operational or managerial difficulties, this may disrupt the construction progress of the Group's property developments and the Group may incur additional costs as well as be subject to potential compensation payable to the customers for delay in completion of property development and delivery of property.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Events after the reporting period

- (a) Trading in the shares of the Company (“Shares”) was suspended on 1 April 2016 due to failure to publish the Company’s preliminary results for the year ended 31 December 2015 in accordance with Rule 13.49(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). As such, the Group breached the terms of the agreements of certain bank loans (with total carrying amount of approximately HK\$214,870,000 as at 31 December 2015), the Senior Notes 2013 and Senior Notes 2014, which are primarily related to the suspension and the continued suspension of trading of the Shares until the publication of the preliminary results for the year ended 31 December 2015. As a result, the said bank loans and Senior Notes 2013 and Senior Notes 2014 are subject to an immediate repayment option by the banker and note holders.

Up to the date of the issue of this annual report, the Group obtained consent from the banker and note holders that such suspension and the continued suspension shall not be considered as a breach of the terms of the agreements with the banker and note holders. The Directors believe that the Group will have sufficient working capital to ensure that there is no threat to the continuing operations of the Group.

- (b) Pursuant to an entrusted construction and management service agreement dated 15 April 2015, the Group agreed to manage and fund the property development project of Guangzhou Zhuguang Investment Company Limited\* (“GZ Investment”) located at the former Guangzhou south railway station, Huangsha Avenue, Li Wan District, Guangzhou City, the PRC. In return, the Group will be entitled to certain income from the above management services and funding. Up to 31 March 2016, RMB1 billion (equivalent to approximately HK\$1,193,630,000) was made by the Group to fulfill its duty under the abovementioned agreement to GZ Investment.
- (c) Pursuant to an entrusted construction and management service agreement dated 10 March 2016, the Group agreed to manage and fund the property development project of Guangzhou Zhuguang Property Development Company Limited\* (“GZ Property”) property development project located in Tianhe District, Guangzhou City, the PRC. In return, the Group will be entitled to certain income from the above management services and funding. Up to 31 March 2016, RMB50 million (equivalent to approximately HK\$59,682,000) was made by the Group to fulfil its duty under the abovementioned agreement to GZ Property.
- (d) On 11 March 2016, the Group, as the intended purchaser, and Shenzhen Zhuguang Property Company Limited\* (“SZ Property”), as the intended vendor, entered into a memorandum of understanding (the “MOU”) in relation to proposed acquisition of 100% equity interest of Shenzhen Zhuguang Scenic Property Company Limited\*.

Pursuant to the MOU, RMB260 million refundable deposit was made to SZ Property. In the event that a sale and purchase agreement in relation to the proposed acquisition is not entered into by the Group, SZ Property shall, within five business days upon receipt written notice, refund the deposit of RMB260 million deposit to the Group.

Up to the date of the issue of this annual report, no legally binding agreement in relation to the proposed acquisition has been entered into by the Group (save for certain provisions relating to the deposit of RMB260 million, confidentiality, exclusivity and governing law under the MOU).

\* English name is translated for identification purposes only.

- (e) Pursuant to an entrusted construction and management service agreement dated 14 March 2016, the Group agreed to manage and fund a property development project located in Conghua District, Guangzhou City, the PRC held by Guangzhou Conghua Zhuguang Investment Company Limited\* (“CZ Investment”). In return, the Group will be entitled to certain income from the above management services and funding. Up to 31 March 2016, RMB100 million (equivalent to approximately HK\$119,363,000), was made by the Group to fulfil its duty under the abovementioned agreement to CZ Investment.

GZ Investment, GZ Property, SZ Property and CZ Investment are wholly-owned subsidiaries of Guangdong Zhuguang Group Company Limited\* (“GD Zhuguang”). Hence, they are considered as related parties of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence in GD Zhuguang, GZ Investment, GZ Property, SZ Property and CZ Investment.

## PROSPECT AND OUTLOOK

It is expected that the overall economy in the PRC will remain stable, the monetary policies will remain loose, the property market will revive and the property prices in major cities will rise. It is also anticipated that the loose monetary policies launched by the PRC Government in 2015 will start to take effect in the coming year.

The Group is optimistic about the development of the property industry and continues to grasp the opportunities in the property market by acquiring land parcels of quality situated in prime locations and developing urban renewal projects. Besides, the Group will continue to enhance its products by improving its competitiveness, reinforce sales strategy execution ability and increase the systematicness of its brand management and effectively accelerate sale of inventories.

## FINANCIAL REVIEW

### *Revenue*

The Group’s revenue included revenue from property sales, rental income, project management fee income and decoration income. The total revenue of the Group for 2015 was approximately HK\$3,293,318,000 (2014: HK\$2,919,522,000), which represent a 12.80% increased as compared to 2014. The increase was mainly due to the fact that the amounts of delivered properties were higher than 2014. Total area delivered was approximately 171,703 sqm in 2015 (2014: 135,213 sqm), as compared to last year there is 27% increase in GFA delivered. Rental income recorded an increase of 26% from approximately HK\$49,372,000 in 2014 to approximately HK\$62,037,000 in 2015 mainly due to part of the Zhukong International with GFA approximately 17,988 sqm (2014: Nil) was leased out.

### *Gross profit and Margin*

For the year ended 31 December 2015, the Group recorded a gross profit of approximately HK\$651,549,000, a 47.18% decrease in gross profit as compared to the year ended 2014. The Group’s gross profit on sale of properties amounted to approximately HK\$584,687,000 (2014: HK\$1,180,345,000). The decrease is primarily due to there is a significant decrease in high margin commercial building delivered in 2015 as compared to 2014, the total GFA of Zhukong International delivered in 2015 was approximately 1,664 sqm. (2014: 39,803 sqm.).

\* English name is translated for identification purposes only.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Investment and other income*

The Group's investment and other income decreased significantly to approximately HK\$127,932,000 (2014: HK\$735,131,000). In 2014, these were interest penalties and compensation income amounting to approximately HK\$204,244,000 and HK\$477,318,000 respectively from potential vendors and an authorised agent for cancellation and delay in repayment of deposits to the Group, no such compensation income recognised for the year under review.

### *Other gains and losses*

Other gains and losses decreased from approximately HK\$404,458,000 in 2014 to approximately HK\$10,113,000 in 2015 primarily due to an impairment loss on goodwill of approximately HK\$382,087,000 recognised in 2014, no such impairment incurred in 2015.

### *Administrative expenses, Selling and marketing expenses and Other expenses*

Administrative expenses, selling and marketing expenses and other expenses of the Group increased from approximately HK\$246,208,000 in 2014 to approximately HK\$436,721,000 in 2015. It was primarily due to the fact that (i) additional recruitment cost for staff training and salaries adjustment aligned the market trend; (ii) provision for claims and administrative penalties; and (iii) general inflation of administrative expenses.

### *Finance costs*

Finance costs for the year was approximately HK\$1,004,642,000 (2014: HK\$521,737,000), which was made up of interest expenses incurred during the year under review after deduction of the amount capitalised to development costs. The significant increase was mainly due to additional borrowings and the issues of senior notes in the aggregate principal amount of US\$100,000,000 in the first quarter of 2015.

### *Income tax*

Income tax comprised of corporate income tax ("CIT") and land appreciation tax ("LAT") in the PRC. Total income tax charged for the year under review was approximately HK\$774,091,000 (2014: HK\$798,888,000), as compared to 2014 these is no material changes in income tax provision.

### *Cash position*

As at 31 December 2015, the Group's bank and cash balances (including restricted bank deposits) amounted to approximately HK\$5,848,861,000 (31 December 2014: HK\$4,068,640,000).

### *Borrowings, charges on group assets and gearing ratio*

The Group's bank and other borrowings comprise the following:

	2015 HK\$'000	2014 HK\$'000
Bank loans — secured	1,443,118	3,294,531
Senior Notes — secured	2,914,608	2,112,163
Other borrowings — secured	3,652,517	3,419,434
Other borrowings — unsecured	158,118	—
	<b>8,168,361</b>	8,826,128

- (a) The bank and other borrowings were secured by (i) investment properties with carrying amount of approximately HK\$1,192,705,000; (ii) assignment of all rental income received from investment properties with carrying amount of approximately HK\$648,631,000; (iii) land use rights classified under prepaid land lease payment of approximately HK\$45,455,000 and the construction in progress of approximately HK\$19,444,000; (iv) properties for sale under development and properties held for sale of approximately HK\$2,940,610,000; (v) pledged bank deposits of approximately HK\$44,691,000; (vi) financial assets at fair value through profit or loss of approximately HK\$23,896,000; (vii) charge over the entire issued share capital of certain subsidiaries of the Group and the ex-subsubsidiary of the Company, Ocean Leader Investments Limited (“Ocean Leader”); (viii) corporate guarantee executed by the Company and certain subsidiaries, related parties, controlling shareholder and ex-subsubsidiary of the Company, Ocean Leader; (ix) guarantees executed by the Directors Mr. Liao Tengjia, Mr. Chu Hing Tsung (alias Zhu Qing Yi) and Mr. Chu Muk Chi (alias Zhu La Yi); (x) 2,480 million ordinary shares of the Company beneficially owned by controlling shareholder; and (xi) charge over the assets provided by Beijing Zhuguang Property Development Company Limited\*.
- (b) The gearing ratio is measured by the net borrowings (total interest-bearing borrowings net of cash and cash equivalents and restricted bank deposits) over the equity attributable to owners of the Company. As at 31 December 2015 the gearing ratio was 61% (2014: 140%).

## CONTINGENT LIABILITIES

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties as follows:

	2015 HK\$'000	2014 HK\$'000
Guarantees given to banks for mortgage facilities utilised by purchasers	1,124,355	1,019,554

Pursuant to the terms of the guarantees, if there are any defaults on the mortgages, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks. The Group is then entitled to take over the legal title and possession of the related properties. The guarantees will be released upon issuance of the purchasers' property ownership certificates and completion of the relevant registration of the mortgaged properties.

At the reporting date, the Directors do not consider it probable that a claim will be made against the Group under the above guarantees.

\* English name is translated for identification purposes only.



## MANAGEMENT DISCUSSION AND ANALYSIS

(b)	2015 HK\$'000	2014 HK\$'000
Guarantee given to a bank in respect of bank facilities granted to Guangdong Province Huashui Shui Li Investment Company Limited* ("Guangdong Huashui")	—	380,292

- (c) As at 31 December 2015, the Group has provided guarantee and pledged certain of its properties for sale under development with carrying amount of approximately HK\$302,682,000 (2014: HK\$247,117,000) to a financial institution regarding a loan and the interest thereon totalling RMB112,500,000 (equivalent to approximately HK\$134,283,000) (2014: RMB125,000,000 (equivalent to HK\$158,455,000)) granted to a previous owner of the Group's subsidiary acquired in 2014, Xianghe County Yijing Property Development Company Limited\* ("Xianghe Yijing"). The guarantee and the charged assets will be released, in accordance with the terms of the guarantee contract, up to a maximum of two years after the full repayment of the loan and interest thereon.

As at 31 December 2015, the Directors do not consider it probable that a claim will be made against the Group under the above guarantee. The Directors believe that all the outstanding amounts will be settled by the previous owner of Xianghe Yijing. In addition, the Group also owed approximately HK\$119,363,000 (2014: HK\$126,764,000) to the previous owner of Xianghe Yijing as at 31 December 2015. If there were any default payment of loan by the previous owner of Xianghe Yijing, the Group would be responsible to repay the outstanding loan principal together with accrued interest and penalty owed by the previous owner of Xianghe Yijing to the financial institution. The Directors indicated that, in the event of default payment by the previous owner of Xianghe Yijing, the Group would then withhold the repayment of its loan due to the previous owner of Xianghe Yijing.

## FOREIGN EXCHANGE RATE

The Group conducts its business almost exclusively in RMB except that certain borrowings are in HK\$ and US\$. The conversion of RMB into HK\$, US\$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against the HK\$, US\$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. The Group has not adopted any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

## EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 148 employees in Hong Kong and the PRC as at 31 December 2015 (31 December 2014: 140). The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefit. The Director's remuneration was determined based on the qualifications, experience, duties, responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour discipline nor has it experience any difficulty in the recruitment and retention of experienced staffs. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for many years.

\* English name is translated for identification purposes only.

# BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

The Board currently comprises eight Directors, five of whom are executive Directors and three of whom are independent non-executive Directors.

## EXECUTIVE DIRECTORS

**Mr. Chu Hing Tsung** (alias Zhu Qing Yi), aged 46, was appointed as an executive Director and the Chief Executive Officer of the Company since September 2009. In February 2010 he was appointed as the Deputy Chairman of the Company. In December 2013, he was appointed as the Chairman of the Company and continues to serve as the Chief Executive Officer of the Company. With effect from 21 August 2015, Mr. Chu has resigned as the Chief Executive Officer of the Company. Mr. Chu is a shareholder of Rong De Investments Limited, a substantial shareholder of the Company. Mr. Chu has over 10 years' extensive experience in corporate management and property development in the PRC. He is the younger brother of Mr. Chu Muk Chi, an executive Director of the Company.

**Mr. Liao Tengjia**, aged 52, was appointed as the Chairman and an executive Director of the Company from September 2009 to December 2013. In December 2013, Mr. Liao would no longer concurrently act as the Chairman of the Company. With effect from 21 August 2015, Mr. Liao has been appointed as the Chief Executive Officer of the Company. Mr. Liao is a shareholder and sole director of Rong De Investments Limited, a substantial shareholder of the Company. He has over 10 years' management experience in the property development industry in the PRC.

**Mr. Huang Jiajue**, aged 45, was appointed as an executive Director of the Company since September 2009. With effect from 21 August 2015, Mr. Huang has been appointed as the Deputy Chairman of the Company. Mr. Huang obtained a Master's Degree in Business Administration from Sun Yat-Sen University in the PRC. He has over 10 years' financial management experience in the property development industry in the PRC.

**Mr. Chu Muk Chi** (alias Zhu La Yi), aged 58, was appointed as an executive Director of the Company since September 2009. Mr. Chu is a shareholder of Rong De Investments Limited, a substantial shareholder of the Company. He obtained a Bachelor's Degree in Medicine from Guangzhou College of Traditional Chinese Medicine (now known as Guangzhou University of Traditional Chinese Medicine). Mr. Chu has over 10 years' extensive experience in corporate management, Chinese medicine and property development in the PRC. He is the elder brother of Mr. Chu Hing Tsung, the Chairman and an executive Director of the Company.

**Ms. Ye Lixia**, aged 50, was appointed as an executive Director of the Company on 17 June 2015. Ms. Ye obtained a master's degree in economics from the Sun Yat-Sen University in 1989. Before joining the Company, Ms. Ye served as the General Manager of the Investment and Finance Management Centre of Guangdong Pearl River Investment Holdings Limited\* (廣東珠江投資股份有限公司) from July 2007 to April 2015. She has over 8 years of financial management experience in the property development industry in the PRC.

\* English name is translated for identification purposes only.

## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Leung Wo Ping** JP, aged 72, was appointed as an independent non-executive Director of the Company since October 2009. Mr. Leung is a certified public accountant with extensive experience in Hong Kong tax and international tax planning for over 30 years. Currently, he is a senior advisor to Crowe Horwath (HK) CPA Limited. Mr. Leung is a fellow member of The Institute of Chartered Accountants in England and Wales, The Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. Apart from his professional work, Mr. Leung has actively participated in community affairs. He had been a Regional Councillor for 5 years and a District Councillor for 18 years. Mr. Leung is currently a Councillor of the New Territories Heung Yee Kuk. He also serves as members of various boards and committees, including the Hospital Authority's Hospital Governing Committee of Tai Po Hospital and United Christian Nethersole Community Health Service Management Committee. Mr. Leung was awarded a Badge of Honour by Her Majesty Queen Elizabeth II in 1994 for his service to the community. He was a District Advisor to the Hong Kong Branch of Xinhua News Agency before 1997. He was also appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2000. Mr. Leung is an independent non-executive director of Heng Xin China Holdings Limited (Stock Code: 8046), which is listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Mr. Wong Chi Keung**, aged 61, was appointed as an independent non-executive Director of the Company since June 2012. Mr. Wong has over 34 years of experience in finance, accounting and management. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a Responsible Officer for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited ("Greater China") under the Securities and Futures Ordinance of Hong Kong. With effective from 16 April 2016, Mr. Wong ceased to be the Responsible Officer of Greater China. Mr. Wong holds a master's degree in business administration from the University of Adelaide in Australia. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (stock code: 0123, now known as Yuexiu Property Company Limited), a company listed on the Main Board of the Stock Exchange, for over ten years. Mr. Wong is currently an independent non-executive director and a member of the audit committee of each of Asia Orient Holdings Limited (stock code: 0214), Asia Standard International Group Limited (stock code: 0129), Century City International Holdings Limited (stock code: 0355), China Nickel Resources Holdings Company Limited (stock code: 2889), China Ting Group Holdings Limited (stock code: 3398), EMN Holdings Limited (stock code: 0128), Golden Eagle Retail Group Limited (stock code: 3308), Ngai Lik Industrial Holdings Limited (stock code: 0332), Paliburg Holdings Limited (stock code: 0617), Regal Hotels International Holdings Limited (stock code: 0078) and TPV Technology Limited (stock code: 0903). All of these companies are listed on the Main Board of the Stock Exchange. Mr. Wong was also an independent non-executive director and a member of the audit committee, the remuneration committee and the nomination committee of First Natural Foods Holdings Limited (Stock Code: 1076) for the period 26 November 2007 to 21 November 2013 (as all the resumption conditions have been fulfilled, the provisional liquidators have been discharged by an order granted by the High Court of HKSAR on 4 September 2012), a company listed on the Main Board of the Stock Exchange. Mr. Wong was an independent non-executive director of FU JI Food and Catering Services Holdings Limited (stock code: 1175, provisional liquidators appointed) for the period from 22 November 2004 to 24 June 2011, a company listed on the Main Board of the Stock Exchange. With effect from 1 July 2014, Mr Wong was retired as an independent non-executive director, the chairman of the audit committee, remuneration and nomination committee of the PacMOS Technologies Holdings Limited (stock code: 1010). With effect from 25 March 2015, Mr. Wong has been appointed as an independent non-executive director, the chairman of audit committee, a member of each of the remuneration committee and nomination committee of Changfeng Axle (China) Company Limited ("Changfeng Axle") (stock code: 1039). With effect from 2 February 2016, Mr. Wong has been appointed as an independent non-executive director, committee member of the audit committee, nomination committee, remuneration committee and investigation committee of China Shanshui Cement Group Limited ("China Shanshui") (stock code: 691), Both Changfeng Axle and China Shanshui are listed on the Main Board of the Stock Exchange.

**Dr. Feng Ke**, aged 43, was appointed as an independent non-executive Director of the Company 17 June 2015. Dr. Feng graduated from the Guangdong University of Finance\* (廣東金融學院) (previously known as Guangdong Academy of Finance\* (廣州金融高等專科學校)) majoring in international finance in July 1993. Dr. Feng obtained a master's degree in economics from the Guangdong Academy of Social Sciences\* (廣東省社會科學院) in July 1999. Dr. Feng obtained a doctor's degree in economics from the Peking University\* (北京大學) in July 2002. Dr. Feng was the assistant manager of Golden Eagle Asset Management Co., Ltd.\* (金鷹基金管理有限公司) from July 2002 to January 2006. Dr. Feng was also an independent director of Sichuan Guang'an AAA Public Co., Ltd.\* (四川廣安愛眾股份有限公司) (a company whose shares are listed on the Shanghai Stock Exchange with stock code: 600979) from November 2011 to September 2014. Dr. Feng was also an independent director of Nan Hua Bio-medicine Co., Ltd.\* (南華生物醫藥股份有限公司) (previously known as Beijing CCID Media Investments Co., Ltd.\* (北京賽迪傳媒投資股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange with stock code: 000504) from December 2013 to December 2014. Dr. Feng was an independent non-executive director of Asian Capital Resources (Holdings) Limited (a company listed on the Growth Enterprise Market of the Stock Exchange with stock code: 8025) from October 2008 to September 2013 and has been re-designated as an executive director since 1 September 2013. Dr. Feng is an independent director of China Great Wall Computers Shenzhen Co. Ltd.\* (中國長城計算機深圳股份有限公司) (a company listed in the Shenzhen Stock Exchange with stock code: 000066) and Guangdong Provincial Expressway Development Co., Ltd.\* (廣東省高速公路發展股份有限公司) (a company listed in the Shenzhen Stock Exchange with stock code: 000429), an independent non-executive director of China Huirong Financial Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1290) and an independent director of Tande Co., Ltd.\* (天地源股份有限公司) (Stock code: 600665), a company listed on the Shanghai Stock Exchange, since 2009.

## SENIOR MANAGEMENT

The five Directors of the Company holding executive offices above are directly responsible for the various business of the Group. They are regarded as the members of the senior management of the Group.

\* English name is translated for identification purposes only.

# CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance. The Company firmly believes that a good, solid and sensible framework of corporate governance will enhance the Company to run its business in the best interest of its shareholders as a whole.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors (the “Code”) as contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Special enquiry has been made of all Directors, and all Directors have confirmed that they have complied with the required standards set out in the Code for the year ended 31 December 2015.

## CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 of Listing Rules during the year ended 31 December 2015, other than code provisions A.1.8, A.2.1, A.4.2 and E.1.2 of the CG Code. Under code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company has overlooked this requirement and has not arranged appropriate insurance cover in respect of legal action against its Directors. The Company is in the process of reviewing appropriate insurance cover in this respect.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer (“CEO”) should be separate and should not be the same individual. As a result of the appointment of Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (“Mr. Chu”) as the Chairman of the Board on 12 December 2013, Mr. Chu has assumed the roles of both the Chairman of the Board and the CEO of the since 12 December 2013 to 20 August 2015 which is non-compliance with code provision A.2.1 of the CG Code. With effect from 21 August 2015, Mr. Chu resigned as the CEO and Mr. Liao Tengjia appointed as the CEO, the role of Chairman and CEO has been separate and has not been performed by the same individual. Since 21 August 2015, the Company has been in compliance with the requirement under A.2.1 of the CG Code.

Under code provision A.4.2 of the CG Code, every Director should be subject to retirement by rotation at least once every three years. According to the Bye-laws of the Company, the Chairman of the Board of the Company shall not be subject to retirement by rotation or taken into account in determining the number of Directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the roles of the Chairman provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the Chairman of the Board should not be subject to retirement by rotation.

Code provision E.1.2 of the CG Code requires that the Chairman of the Board should attend the annual general meeting of the Company (“AGM”). Mr. Chu, the Chairman of the Board, did not attend the AGM in 2015 due to his prior engagement.

## SECURITIES TRANSACTIONS BY SENIOR MANAGEMENT AND STAFF

The senior management and staff have been individually notified and advised about the Model Code by the Company.

### Financial Officer

The Financial Officer of the Company is responsible for preparing interim and annual financial statements based on accounting principles generally accepted in Hong Kong and ensures that the financial statements truly reflect the Group's results and financial position as well as in compliance with the disclosure requirements under the applicable provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules and other relevant laws and regulations. The Financial Officer reports directly to the chairman of the Audit Committee and coordinates with external auditors on a regular basis. In addition, the Financial Officer will review the control of financial risks of the Group and provide advice thereon to the Board.

### Company Secretary

The Company Secretary of the Company reports directly to the Board. All Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure the board meetings procedures are properly followed and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advice to the Board with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of notifiable transactions, connected transactions and inside information. The Company Secretary shall provide advice to the Board with respect to strict compliance with the laws, requirements and the Company's articles of association as appropriate. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance so as to bring the best long term value to the shareholders of the Company. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company as appropriate. The Company Secretary is also responsible for supervising and managing the investors' relations of the Group.

## CORPORATE GOVERNANCE REPORT

### BOARD OF DIRECTORS

#### I The Responsibilities of The Board

The principal functions of the Board are to consider, set and approve the strategies, financial objectives, annual budget, investment proposals, director appointment and re-appointment, and accounting policies of the Group. The Board is responsible for performing the corporate governance functions set out in D.3.1 of the CG Code. The Board also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. The day-to-day operations of the Group are delegated to the management of the Group.

#### II Board Composition

As at 31 December 2015, the Board consists of a total of eight Directors, comprising five executive Directors and three independent non-executive Directors. The independent non-executive Directors are expressly identified in all corporate communications that disclose the names of Directors of the Company. The number of independent non-executive Directors exceeds one-third of the Board. The Directors have professional background in property development, finance, taxation, investment and management, respectively. They have extensive experience and independent views in their respective areas of expertise so that they can provide professional advice in respect of the long-term development of the Company. The Company has formal letter of appointment for all Directors setting out the key terms and conditions relative to their appointment.

The composition of the Board of the Company during the year ended 31 December 2015 and up to the date of this report was as follows:

*Executive Directors:*

Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (*Chairman*)

Mr. Liao Tengjia (*Chief Executive Officer*)

Mr. Huang Jiajue (*Deputy Chairman*)

Mr. Chu Muk Chi (alias Mr. Zhu La Yi)

Ms. Ye Lixia (appointed on 17 June 2015)

*Independent non-executive Directors:*

Mr. Leung Wo Ping *JP*

Mr. Wong Chi Keung

Mr. Law Shu Sang Joseph (resigned on 18 May 2015)

Dr. Feng Ke (appointed on 17 June 2015)

The Company's Chairman and an executive Director, Mr. Chu Hing Tsung and an executive Director, Mr. Chu Muk Chi are brothers. Biographical details of the Directors and the relationship between Board members are set out in the section headed "BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report. Save as disclosed above and in the section headed "BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report, none of the Directors has any financial, business, family or other material/relevant relationships with one another.

Pursuant to Rule 3.10 of the Listing Rules, every listed issuer is required to have at least three independent non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. As a result of the resignation of Mr. Law Shu Sang Joseph on 18 May 2015, the numbers of independent non-executive Directors and the members of the Audit Committee fell below the minimum number as required under Rules 3.10(1) and 3.21 of the Listing Rules respectively, until Dr. Feng Ke was appointed on 17 June 2015. The resignation of Mr. Law Shu Sang Joseph constitutes non-compliance of Rule 3.10(1) and Rule 3.21 of the Listing Rules by the Company. Throughout the year, the Board at all times fully complied with Rule 3.10(2) of the Listing Rules that at least one of the independent non-executive Directors has professional qualifications, or accounting or related financial management expertise.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

## BOARD MEETING AND ANNUAL GENERAL MEETING

The Board meets regularly and as warranted by particular circumstances. Notices and agendas are prepared by the Company Secretary as delegated by the Chairman of the Board and distributed to the Board members within reasonable time before the meetings. Relevant meeting papers are also sent to Directors well before the meetings, informing them of the background and giving explanation on matters to be brought before the Board. All Directors are given the opportunity to include matters in the agendas for Board meetings. Draft and final versions of the minutes of Board meetings are sent to all Directors for their comment and records, respectively, within a reasonable time after the board meeting and are kept by the Company Secretary.

During the financial year ended 31 December 2015, the Directors have made active contribution to the affairs of the Group and 6 Board meetings were held to consider, among other things, various transactions contemplated by the Group, and to review and approve the interim results and annual results of the Group. To ensure the Directors to make decisions objectively and in the interests of the Company, Bye-Laws No.103(1) of the Company provides that any director shall abstain from voting on any resolutions in which he or his associates is/are materially interested nor be counted in the quorum of the meeting. Any Board meeting in which a director was abstained from voting nor be counted in the quorum of the meeting shall not be taken into account in determining that director's attendance record.

Except for the Chairman and Mr. Chu Muk Chi, the other members of the Board, Chairman of the Audit Committee, members of the Remuneration Committee, members of the Nomination Committee and the Company's external auditor all attended the 2015 annual general meeting ("2015 AGM") and were available to answer questions.



## CORPORATE GOVERNANCE REPORT

The individual attendance of each director in these Board meetings and the 2015 AGM is as follows:

	<b>Attended/Eligible to attend Board meetings</b>	<b>2015 AGM</b>
<b>Executive Directors</b>		
Mr. Chu Hing Tsung	6/6	0/1
Mr. Liao Tengjia	5/6	1/1
Mr. Huang Jiajue	6/6	1/1
Mr. Chu Muk Chi	0/6	0/1
Ms. Ye Lixia (appointed on 17 June 2015)	3/6	N/A
<b>Independent non-executive Directors</b>		
Mr. Leung Wo Ping <i>JP</i>	4/6	1/1
Mr. Law Shu Sang Joseph (resigned on 18 May 2015)	1/2	N/A
Mr. Wong Chi Keung	5/6	1/1
Dr. Feng Ke (appointed on 17 June 2015)	1/6	N/A

## NON-EXECUTIVE DIRECTORS

Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Each of the independent non-executive Directors was appointed for a term of two years. All of the independent non-executive Directors are subject to retirement by rotation once every three years and should be subject to re-election.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be the same individual. As a result of the appointment of Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) ("Mr. Chu") as the Chairman of the Board on 12 December 2013, Mr. Chu has assumed the roles of both the Chairman of the Board and the CEO of the since 12 December 2013 to 20 August 2015 which is non-compliance with code provision A.2.1 of the CG Code. With effect from 21 August 2015, Mr. Chu resigned as the CEO and Mr. Liao Tengjia appointed as the CEO, the role of chairman and CEO has been separate and has not been performed by the same individual. Since 21 August 2015, the Company has been in compliance with the requirement under A.2.1 of the CG Code.

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment. A package, which has been compiled and reviewed by the Company's legal advisers, setting out the duties and responsibilities of directors under the Listing Rules, the Companies Ordinance and other related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director.

Pursuant to A.6.5 of the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses to ensure that they are fully aware of the responsibilities and obligations of Directors under the Listing Rules and relevant regulatory requirements.

Pursuant to the requirements of the CG Code, all Directors should provide their records of continuous professional development to the Company. According to the records provided by the Directors, the training received by them during the year 2015 is summarised as follows:

	<b>Training received</b>
	Notes
<b>Executive Directors</b>	
Mr. Chu Hing Tsung	(1)(2)
Mr. Liao Tengjia	(1)(2)
Mr. Huang Jiajue	(1)(2)
Mr. Chu Muk Chi	(1)(2)
Ms. Ye Lixia (appointed on 17 June 2015)	(1)(2)
<b>Independent non-executive Directors</b>	
Mr. Leung Wo Ping <i>JP</i>	(3)
Mr. Law Shu Sang Joseph (resigned on 18 May 2015)	(3)
Mr. Wong Chi Keung	(1)(2)(3)
Dr. Feng Ke (appointed on 17 June 2015)	(3)

Notes:

- (1) Reading guidelines for directors issued by the Companies Registry of Hong Kong and The Hong Kong Institute of Directors.
- (2) Watching webcast on corporate governance addressed by the Listing Division of the Stock Exchange.
- (3) Participation in continuous professional development seminars/conferences/courses/workshops on subjects relating to directors' duties, corporate governance and other relevant topics organized by professional bodies.

The Directors confirmed that they have complied with A.6.5 of the CG Code on directors' continuous professional development.

## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES

The Board has set up three specialised committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The three committees are established with defined written terms of reference approved by the Board, which set out the committees' major duties. These are now posted on the websites of the Stock Exchange and of the Company and are available to shareholders. Members of these committees mainly are independent non-executive Directors. The list of the Chairman and of members of each committee is set out in each of the following Board committee section. The meeting procedures follow the statutory procedures for Board meetings.

The committees are provided with sufficient resources to discharge their duties and in appropriate circumstances, the Company can retain external auditors, financial advisers and lawyers and other relevant independent professionals to provide independent professional advice to assist members of the committees in fulfilling their responsibilities.

#### I Audit Committee

The Company established the Audit Committee in 1999 with specific written terms of reference in accordance with the requirement of the Stock Exchange which deal clearly with its authority and duties.

The current members of the Audit Committee include three independent non-executive Directors: Mr. Leung Wo Ping *JP*, Mr. Wong Chi Keung and Dr. Feng Ke (appointed on 17 June 2015). Mr. Law Shu Sang Joseph ceased to be a member of the Audit Committee on 18 May 2015. Mr. Leung Wo Ping *JP* is the Chairman of the Audit Committee.

The major roles and functions of the Audit Committee are as follows:

- (1) to consider, and to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the audit fee and other terms of engagement of the external auditor, and any questions of its resignation or dismissal; to review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process in accordance with applicable standards; to discuss with the external auditor before the audit commences in respect of the nature and scope of the audit and reporting obligations;
- (2) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and to review significant financial reporting judgements contained in them;
- (3) to review the procedures of financial reporting, internal control and risk management, and ensuring that management has discharged its duty to establish an effective internal control system; and
- (4) to review the external auditor's management letter, and material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control as well as management's response to the points raised; to ensure that the Board responds promptly to the matters raised by the external auditor in the management letter.

The Audit Committee shall meet with the external auditor without the presence of executive Directors to discuss the Group's financial reporting and any major and financial matters arising during the year under review at least twice a year.

The Audit Committee met four in 2015. Individual attendance of each committee member is set out as below:

	<b>Attended/ Eligible to attend</b>
Mr. Leung Wo Ping <i>JP</i> (Chairman)	4/4
Mr. Law Shu Sang Joseph (resigned on 18 May 2015)	2/2
Mr. Wong Chi Keung	4/4
Dr. Feng Ke (appointed on 17 June 2015)	4/4

During the financial year ended 31 December 2015, the Audit Committee has met with the external auditor four times to discuss the general scope of their audit work and the audit findings. The Audit Committee also reviewed the Group's annual audited results for the year ended 31 December 2015 and unaudited interim results for the period ended 30 June 2015 and was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made and submitted them to the Board for approval. In addition, the Audit Committee also made evaluation on the effectiveness of the financial reporting, internal control and risk management systems of the Group.

## II Remuneration Committee

The Company established the Remuneration Committee in September 2005 with specific written terms of reference in accordance with the requirement of the Stock Exchange which deal clearly with its authority and duties. The Remuneration Committee has adopted the approach under code provision B.1.2(c)(ii) of the CG Code and made recommendations to the Board on the Group's overall policy and structure for the remuneration of Directors and senior management.

The Remuneration Committee comprises an executive Director, Mr. Huang Jiajue and two independent non-executive Directors, Mr. Wong Chi Keung and Mr. Leung Wo Ping *JP* (appointed on 18 May 2015). Mr. Law Shu Sang Joseph ceased to be a member of the Remuneration Committee on 18 May 2015. Mr. Wong Chi Keung is the Chairman of the Remuneration Committee.

The major roles and functions of the Remuneration Committee are as follows:

- (1) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (2) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (3) to determine with delegated responsibility and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payment (including any compensation payable for loss or termination of their office or appointment);
- (4) to make recommendations to the Board on the remuneration of non-executive Directors;

## CORPORATE GOVERNANCE REPORT

- (5) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (6) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and otherwise fair and not excessive;
- (7) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and otherwise reasonable and appropriate; and
- (8) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee met twice in 2015. Individual attendance of each committee member is set out as below:

	<b>Attended/ Eligible to attend</b>
<b>Executive Directors</b>	
Mr. Huang Jiajue	2/2
<b>Independent non-executive Directors</b>	
Mr. Wong Chi Keung ( <i>Chairman</i> )	2/2
Mr. Leung Wo Ping ( <i>JP</i> ) (appointed on 18 May 2015)	2/2
Mr. Law Shu Sang Joseph (resigned on 18 May 2015)	N/A

During the meetings, the Remuneration Committee discussed the remuneration package for the executive Directors and independent non-executive Directors whom the Board intended to appoint. It also reviewed the overall remuneration policy of the Group and recommended to the Board the salaries and bonus of the executive Directors, the independent non-executive Directors.

### III Nomination Committee

The Company established the Nomination Committee in September 2005 with specific written terms of reference in accordance with the requirement of the Stock Exchange which deal clearly with its authority and duties.

The Nomination Committee comprises an executive Director, Mr. Huang Jiajue and two independent non-executive Directors, Mr. Leung Wo Ping *JP* and Mr. Wong Chi Keung (appointed on 18 May 2015). Mr. Law Shu Sang Joseph ceased to be a member of the Nomination Committee on 18 May 2015. Mr. Wong Chi Keung is the Chairman of the Nomination Committee.

The major roles and functions of the Nomination Committee are as follows:

- (1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- (2) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorship;
- (3) to assess the independence of the independent non-executive directors; and
- (4) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for directors, in particular the chairman and the chief executive officer.

The Nomination Committee adopts certain criteria and procedures in the nomination of new directors. The major criteria include the candidates' professional background, especially their experience in the industry of the Group's business; their financial management experience and past track record with other similar companies; and the recommendations from the management team and other knowledgeable individuals. The Nomination Committee will shortlist the candidates and then submit to the Board for final approval.

The Nomination Committee met twice in 2015. Individual attendance of each committee member is set out as below:

	<b>Attended/ Eligible to attend</b>
<b>Executive Director</b>	
Mr. Huang Jiajue	2/2
<b>Independent non-executive Directors</b>	
Mr. Wong Chi Keung ( <i>Chairman</i> ) (appointed on 18 May 2015)	2/2
Mr. Leung Wo Ping <i>JP</i>	2/2
Mr. Law Shu Sang Joseph (resigned on 18 May 2015)	N/A

During the meetings, the Nomination Committee reviewed the structure, size and composition of the Board, considered, the suitability of the appointments of individual nominated for directorship, assessed whether the independence of independent non-executive Directors coupling with the relevant requirements under the Listing Rules, and the suitability of the re-election of the Directors who are subject to re-election at the annual general meeting.

## INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal controls to safeguard the Group's assets and shareholders' interest. The Board recognises that the Group's internal control system plays a key role in both the management of risks and the assurance of continued compliance with laws and regulations by the Group. The Audit Committee has kept under review the Group's internal control system. The Board has also conducted a regular review of the effectiveness of the Group's internal control system. Based on its review, the Audit Committee will advise the Board on the adequacy of the Group's internal control system, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.

## CORPORATE GOVERNANCE REPORT

The system includes a well-established organisational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations. Executive management is directly responsible for implementing the strategy and policies adopted by the Board, and for all the Group's activities.

During the year under review, the Board considers that the Group has complied with the provisions on internal controls as stipulated in the CG Code. The Board is satisfied that the Group's internal control system including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed.

### CORPORATE GOVERNANCE FUNCTIONS

The Company is committed to enhancing its corporate governance practices relevant to the model and growth of its business. In order to achieve a right balance between governance and performance, the Board is responsible for introducing and proposing relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company. The Board is responsible for performing the corporate governance functions set out in D.3.1 of the CG Code and has established the following corporate governance duties to serve this purpose:

- (1) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (2) review and monitor the training and continuous professional development of directors and senior management;
- (3) review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; and
- (4) review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

There was no meeting held by the Board in respect of corporate governance functions during the year ended 31 December 2015. However, the Company has from time to time provided updated information to the Directors and management on the relevant rules and regulations relating to corporate governance, ensuring that they have a proper understanding of the latest development of the best corporate governance practice.

### AUDITOR'S REMUNERATION

During the year, the remuneration paid/payable to the Company's auditor, RSM Hong Kong, is set out as follows:

Nature of services	Fee paid/payable HK\$'000
Audit services	2,400
Other services	560
Total	2,960

## DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2015, which were prepared in accordance with statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgement and estimates made are prudent and reasonable.

In respect of code provision C.1.3 of the CG Code the Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The reporting responsibilities of the external auditor on the consolidated financial statements are set out in the "Independent Auditor's Report" on pages 49 to 50.

## SHAREHOLDERS' RIGHTS

The Company treats all shareholders equally and ensures that shareholders' rights are protected and every convenience is provided to exercise their rights in many ways that they should receive. The Memorandum of Association and Bye-Laws of the Company sets out the rights of the shareholders of the Company.

### (1) Rights and procedures for shareholders to convene special general meeting ("SGM")

Pursuant to the Company's Bye-Laws No.58, shareholders holding not less than one-tenth of the paid-up capital of the Company and carrying the right of voting at general meetings may request the Company to convene a SGM by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition. The requisition must be signed by the requisitionists and deposited at the Company Secretary at the Company's Hong Kong Office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Before convening the SGM of the Company, the request will be verified with the Company's Share Registrar in Bermuda or the Hong Kong branch Share Registrar with their confirmation that the request is proper and in order.

If the directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, i.e. shareholders holding not less than one-twentieth of the paid-up capital of the Company, may themselves convene a meeting in accordance with the requirements and procedures set out in Sections 74(3) and 74(4) of the Bermuda Companies Act 1981 (as amended), but any meeting so convened shall not be held after the expiration of three months from the said date.



## CORPORATE GOVERNANCE REPORT

### (2) Rights and procedures for shareholders to make proposals at general meetings

(i) *Rights and procedures for proposing a person for election as a Director at a general meeting are as follows:*

Pursuant to the Company's Bye-Laws No.88, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of director at any general meeting, unless notice in writing of the intention to propose that person for election as a director and notice in writing by that person of his willingness to be elected including that person's biographical details as required by Rule 13.51(2) of the Listing Rules, shall have been lodged at the Company's Hong Kong Office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong, or at the Hong Kong branch Share Registrar provided that the minimum length of the period, during which such notice is given, shall be at least 7 days before the date of the general meeting.

If the notice is submitted after the dispatch of the notice of the general meeting appointed for such election, the period for lodgment of such notice shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

If the notice is received less than 10 business days prior to the date of such general meeting, the Company will need to consider the adjournment of such general meeting in order to allow shareholders 14 days' notice (the notice period must include 10 business days) of the proposal.

The procedures for shareholders to propose for election as a Director is posted on the Company's website ([www.zhuguang.com.hk](http://www.zhuguang.com.hk)).

(ii) *Rights and procedures for proposing resolution to be put forward at a general meeting are as follows:*

Pursuant to Sections 79 and 80 of the Bermuda Companies Act 1981 (as amended), (i) shareholders holding not less than one-twentieth of the total voting rights or (ii) not less than 100 shareholders, is entitled to request the Company to give shareholders notice of a resolution which is intended to be moved at the next annual general meeting ("AGM") or SGM. A written notice to that effect signed by the requisitionists with contact information must be deposited at the Company's Hong Kong Office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong (addressed to the Company Secretary). The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such a proposal and any material interest of the proposing shareholder in such a proposal. The request will be verified with the Company's Share Registrar in Bermuda or the Hong Kong branch Share Registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the shareholders for consideration of the proposal raised by the shareholders concerned at AGM or SGM varies according to the nature of the proposal, details are as follows:

- At least 14 days' notice (the notice period must include 10 business days) in writing if the proposal constitutes an ordinary resolution of the Company in SGM.
- At least 21 days' notice (the notice period must include 20 business days) in writing if the proposal constitutes an ordinary resolution of the Company in AGM or a special resolution of the Company in AGM or SGM.

In the event of failure in serving the notice to the Company by the requisitioner within reasonable time, the Company reserves the right to claim from the requisitioner any expenses incurred by the Company in serving the notice of the resolution and circulating the statement given by that requisitioner to all shareholders in accordance with the requirements under the Listing Rules (unless the Company otherwise resolves).

The rights and procedures for proposing resolution to be put forward by shareholders at a general meeting is posted on the Company's website ([www.zhuguang.com.hk](http://www.zhuguang.com.hk)).

### (3) Procedures to send enquiries to the Board

Any enquiry is welcome to be presented to the Board by shareholders and any proposal relating to the business, strategy and management of the Company is welcome to be presented at general meeting for review and discussion. It can be submitted in writing with contact information and deposited at the Company Secretary at the Company's Hong Kong Office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

## COMPANY SECRETARY

Pursuant to the requirements of Rule 3.29 of the Listing Rules, the Company Secretary of the Company, Mr. Ng Hoi Leung, Leo confirmed that he had taken no less than 15 hours of relevant professional training during the year ended 31 December 2015.

## MEMORANDUM OF ASSOCIATION AND BYE-LAWS

During the year, the Company has not made any changes to its Memorandum of Association and Bye-Laws. An up-to-date version of the Memorandum of Association and Bye-Laws is available on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company ([www.zhuguang.com.hk](http://www.zhuguang.com.hk)).

## CORPORATE GOVERNANCE REPORT

### COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. Information in relation to the Company is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the website of the Company ([www.zhuguang.com.hk](http://www.zhuguang.com.hk)).

The AGM of the Company provides a useful platform for shareholders to exchange views with the Board. The Chairman of the Board and the Chairman of each committee are available at the AGM to answer questions from shareholders in respect of the matters that they are responsible and accountable for. The external auditor is also available at the AGM to assist the directors in addressing any relevant queries by shareholders. To ensure the Board is maintaining an on-going dialogue with shareholders, shareholders are encouraged to attend the AGM or other general meetings of the Company. The AGM notice is sent to shareholders at least 20 clear business days before the AGM. The notice is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company ([www.zhuguang.com.hk](http://www.zhuguang.com.hk)). Separate resolutions are proposed at the general meetings on each substantially separate issue. A shareholder is permitted to appoint any number of proxies to attend and vote on his behalf. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange and of the Company immediately after the relevant general meetings.

To ensure effective communication with the shareholders, the Company highly values any opinion from shareholders. Comments and suggestions are welcomed and can be addressed to the Company by mail to the Company's Hong Kong Office at Room 5702-5703, 57/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

# DIRECTORS' REPORT

The Directors herein submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 53 to the consolidated financial statements.

Further discussion and analysis of the business review required by Schedule 5 to the Companies Ordinance including an analysis on financial key performance indication of likely future development in the Group business, employment policy and subsequent events can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 4 to 16 of the annual report. This discussion forms part of this "Directors' Report".

The financial risk management objectives and policies of the Group are shown in note 6(b) to the consolidated financial statements.

An analysis of the Group's performance during the year using key financial performance indicators is set out in the Five Years Financial Summary on page 154 of this annual report.

Important events affecting the Group that occurred during the year ended 31 December 2015 are shown in note 46(a) to the consolidated financial statements.

The Group is committed to environmental protection and carries out various measures to ensure the fulfillment of its duties to the environment. During the year, the Group already commencing the assessment of our major contractors and suppliers duties to the environment and using environmental friendly materials in our properties. The Group will continue to make every endeavor to protect the environment and eliminate any violation of environmental protection laws and regulations.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Company is incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange. The Group's subsidiaries are incorporated in the British Virgin Islands, Hong Kong and the PRC. The Group's operations are mainly carried out by the Group's subsidiaries in the PRC while the Group also has a corporate and administrative office in Hong Kong.

The Group's establishments and operations accordingly shall comply with relevant laws and regulations in Bermuda, the British Virgin Islands, the PRC and Hong Kong. During the year under review, certain subsidiaries of the Group were not in compliance with laws and regulations in relation to administrative procedures in the PRC, a provision of claims and administrative penalties in the sum of approximately HK\$139,511,000 was provided.

As a result of the resignation of Mr. Law Shu Sang Joseph on 18 May 2015, the numbers of independent non-executive Directors and the members of the Audit Committee fell below the minimum number as required under Rules 3.10(1) and 3.21 of the Listing Rules respectively, until Dr. Feng Ke was appointed on 17 June 2015. The resignation of Mr. Law Shu Sang Joseph constitutes non-compliance of Rule 3.10(1) and Rule 3.21 of the Listing Rules by the Company.

Save as disclosed above, during the year under review, the Group complied with all the relevant laws and regulations in Bermuda, the British Virgin Islands, the PRC and Hong Kong that have a significant impact on the Group.

## DIRECTORS' REPORT

### SEGMENT INFORMATION

An analysis of the performance of the Group by reportable segments is set out in note 12 to the consolidated financial statements.

### DIVIDENDS

The directors do not recommend the payment of any dividend for the year 2015 (2014: nil).

### FIVE-YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on page 154.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and statement of profit or loss and other comprehensive income on pages 51 to 52.

### RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 55.

### DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2015, the Company's reserves available for distribution, computed in accordance with the Companies Act 1981 of Bermuda (as amended) was nil (2014: nil). However, the Company's share premium account in the amount of approximately HK\$3,543,224,000 may be distributed in the form of fully paid bonus shares.

### DONATIONS

No donations were made to charities by the Group during the year (2014: nil).

### PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during the year is set out in note 20 to the consolidated financial statements.

### INVESTMENT PROPERTIES

Movements in investment properties of the Group during the year are set out in note 22 to the consolidated financial statements. Particulars of investment properties of the Group are set out on page 155.

## INVENTORIES

Inventories consist of properties for sale under development and properties held for sale. Details of inventories of the Group during the year are set out in note 27 to the consolidated financial statements. Particulars of the inventories of the Group are set out on note 27 to the consolidated financial statements.

## SHARE CAPITAL

Details of share capital of the Company are set out in note 43 to the consolidated financial statements.

## BORROWINGS

Particulars of the bank loans and other borrowings of the Group as at 31 December 2015 are set out in note 38 to the consolidated financial statements. Particulars of the finance lease payables of the Group as at 31 December 2015 are set out in note 39 to the consolidated financial statements.

## INTEREST CAPITALISED

Interest capitalised by the Group during the year amounted to approximately HK\$141,134,000 (2014: HK\$182,082,000). Details of which are set out in note 13 to the consolidated financial statements.

## RETIREMENT BENEFITS SCHEME

The Group contributes to defined contribution retirement schemes which are available to all employees. With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules of the scheme. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the schemes. During the year under review, contribution of approximately HK\$6,244,000 was provided for these schemes. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

## DIRECTORS' REPORT

### EQUITY — LINKED AGREEMENT

The note purchase agreement dated 22 July 2013 ("2013 Note Purchase Agreement") entered into among the Company as issuer, Rong De Investments Limited ("Rong De") as the controlling shareholder of the Company, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi, (collectively the "Ultimate Shareholders") each being an executive Director, in aggregate holding 100% equity interest in Rong De, as personal guarantors, and Design Time Limited, Mile Rise Holdings Limited and Bright Creation Investment Ltd., (collectively the "Initial Investors") as purchasers, pursuant to which the Company agreed to (i) issue to the Initial Investors and Other Notes Investors (as defined in the Company's announcement dated 22 July 2013) (collectively the "Investors") the senior secured guaranteed notes ("2013 Senior Notes") in the aggregate principal amount of up to US\$200,000,000 (including the Additional Notes (as defined in the Company's announcement dated 22 July 2013)), and (ii) to issue to such Investors warrants in the amount of up to US\$40,000,000, which entitle the holder(s) to subscribe for the ordinary shares of the Company at the strike price of HK\$2.2691 per warrant share (as defined in the Company's announcement dated 22 July 2013) in consideration of the purchase of the 2013 Senior Notes by the Investors and the entering into other transactions contemplated under the Transaction Documents (as defined in the Company's announcement dated 22 July 2013). (a) If the subscription rights attaching to the warrants is exercised in full, the warrants will entitle the holder thereof to subscribe up to 137,499,449 shares (of an aggregate nominal value of HK\$13,749,945); and (b) the warrant shares, when allotted and issued will rank *pari passu* with the existing issued ordinary shares as at the date of allotment and (c) the subscription right of the warrant shares will be expired on 4 August 2016, i.e. the day falling 36 months from the date of the first closing occurs after the date of the 2013 Note Purchase Agreement. Further details of 2013 Note Purchase Agreement are set out in the announcements of the Company dated 22 July 2013, 5 August 2013, 6 August 2013, 26 September 2013, 15 October 2013, 16 October 2013 and 14 July 2015.

The conditional note purchase agreement dated 20 June 2014 entered into among the Company as issuer, Rong De as the controlling shareholder of the Company, Blooming Rose Enterprises Corp., Design Time Limited and Wise Sharp Investments Limited (collectively the "First Tranche Investors") as investors, and Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi (collectively as ultimate shareholders) as personal guarantors, pursuant to which the Company shall (i) issue to the First Tranche Investors, the Second Tranche Investors and Third Tranche Investors (as defined in the Company's announcements dated 22 June 2014 and 28 December 2014), under three tranches, the senior secured guaranteed notes ("Secured Senior Notes 2014") of an aggregate principal amount of up to US\$350,000,000; and (ii) in consideration of the purchase of the Secured Senior Notes 2014 by the First Tranche Investors, the Second Tranche Investors (as defined in the Company's announcements dated 22 June 2014 and 28 December 2014) and Third Tranche Investors (as defined in the Company's announcements dated 22 June 2014 and 28 December 2014) and the entering into of other transactions contemplated under the relevant transaction documents by such investors, the Company shall issue Warrants (as defined in the Company's announcements dated 22 June 2014 and 28 December 2014) to such Investors under three tranches. The Warrants represent an aggregate amount of the exercise moneys of up to US\$70,000,000 at strike price of HK\$2.3778 for holders of the Warrant shares to subscribe for ordinary shares of the Company. If the subscription rights attaching to the Warrant are exercised in full, the Warrants will entitle the holders thereof to subscribe up to 229,624,022 shares (of an aggregate nominal value of HK\$22,964,402). The shares of the Company issuable to the holders registered in the name of holders of Warrants, when allotted and issued, will rank *pari passu* with the existing ordinary shares as at the date of allotment. The subscription rights of the Warrant shares will be expired in the date falling 36 months from the issue date of such Warrants, pursuant to the general mandate granted to the Directors by the Shareholders at special general meeting held on 7 March 2014, further details of which are set out in the announcement of the Company dated 22 June 2014, 26 June 2014, 17 July 2014, 18 July 2014, 28 December 2014, 8 January 2015 and 13 February 2015. During the year under review, Warrants in the aggregate exercise money of US\$20,000,000 were issued.

Save as disclosed above, no equity — linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year on subsisted at the end of the year.

## EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 54 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The information on revenue and purchases attributable to the major customers and suppliers of the Group for the year is as follows:

	2015 %	2014 %
Revenue		
The largest customer	<b>33</b>	79
Five largest customers in aggregate	<b>40</b>	81
Purchases		
The largest supplier	<b>53</b>	18
Five largest suppliers in aggregate	<b>89</b>	60

Saved as disclosed in note 52(b) to the consolidated financial statements, none of the directors and their close associates or any shareholder (who to the best knowledge of the directors, own more than 5% of the Company's share capital) had interest in the above customers and suppliers at any time during the year.

The Group understands that customers and suppliers are important to the sustainable and stable development of its business. The Group seeks to work with its suppliers in pursuit of continuous improvement in social and environmental performance. The Group is also committed to ensuring that environmental considerations are an integral part of its project development through cooperation with its suppliers and contractors to provide high-quality properties and services to its customers. The Group conducts assessment process from time to time evaluate the performance of its contractors and implement third-party certification to ensure the performance of its suppliers.

The Group is dedicated to improve its product quality and customer service to meet consumers' needs and ever higher requirements. Based on the customer satisfaction survey conducted by the Group, the Group has recorded new highs in overall customer satisfaction in property sales in 2015 compared with that for the previous year, demonstrating enhanced recognition of the brand of the Group.

## DIRECTORS

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

Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi)  
 Mr. Liao Tengjia  
 Mr. Huang Jiajue  
 Mr. Chu Muk Chi (alias Mr. Zhu La Yi)  
 Ms. Ye Lixia (appointed on 17 June 2015)  
 Mr. Leung Wo Ping *JP*\*  
 Mr. Wong Chi Keung\*  
 Dr. Feng Ke\* (appointed on 17 June 2015)  
 Mr. Law Shu Sang Joseph\* (resigned on 18 May 2015) (*Note*)

\* *Independent non-executive director*



## DIRECTORS' REPORT

Mr. Liao Tengjia, Ms. Ye Lixia and Dr. Feng Ke will retire from office by rotation at the forthcoming annual general meeting in accordance with Bye-Laws No.87 of the Company and, being eligible, will offer themselves for re-election.

*Note:*

With effect from 18 May 2015, Mr. Law Shu Sang Joseph resigned as an independent non-executive Director, the chairman of the nomination committee of the Board, a member of the audit committee of the Board and the remuneration committee of the Board due to his other business commitments which require more of his time.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B (i) of the Listing Rules, there are changes in the information required to be disclosed pursuant to paragraph (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the course of the directors' term of office. With effect from 25 March 2015, Mr. Wong Chi Keung, an independent non-executive Director has been appointed as an independent non-executive director, the chairman of audit committee, a member of each of the remuneration committee and nomination committee of Changfeng Axle (China) Company Limited (stock code: 1039). With effect from 2 February 2016, Mr. Wong has been appointed as an independent non-executive director, committee member of the audit committee, nomination committee, remuneration committee and investigation committee of China Shanshui Cement Group Limited (stock code: 691). Mr. Wong ceased to be the responsible officer of Greater China Capital Limited with effect from 16 April 2016.

Ms. Ye Lixia's remuneration was revised to RMB1,600,000 per annum, which was determined based on her qualifications, experience, level of responsibilities and prevailing market conditions.

Save as disclosed above, there are no other matters that need to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## MANAGEMENT CONTRACTS

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

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with no fixed term of service with the Company. Such service contract can be terminated by either party giving three months' written notice.

None of the Directors who are being proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries, which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' emoluments and those of the five highest paid individuals of the Group for the year ended 31 December 2015 are set out in notes 17 and 16 to the consolidated financial statements respectively.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests and short positions of the directors or chief executives of the Company in the shares and underlying shares (as the case may be) of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules:

### (i) Interest and short position in shares

Name of director of the Company	Nature of interest	Total number of shares	Approximate percentage of total issued shares
Mr. Liao Tengjia	Interest of a controlled corporation (Note)	3,125,276,533 (L) 104,000,000 (S)	64.86% (L) 2.15% (S)
Mr. Chu Hing Tsung	Interest of a controlled corporation (Note)	3,125,276,533 (L) 104,000,000 (S)	64.86% (L) 2.15% (S)

(L) Long position

(S) Short position

Note: 3,125,276,533 Shares were held by Rong De Investments Limited ("Rong De") which was owned as to 34.06% by Mr. Chu Hing Tsung and as to 36.00% by Mr. Liao Tengjia. 30,186,000 Shares were held by Wise Perfection Limited, which was wholly-owned by Rong De. Mr. Chu Hing Tsung and Mr. Liao Tengjia were deemed to be interested in the Shares held by Rong De under the SFO.

### (ii) Interest in shares of the Company's associated corporation

Name of director of the Company	Name of associated corporation	Nature of interest	Total number of shares	Approximate percentage of total issued share capital of the associated corporation
Mr. Liao Tengjia	Rong De	Beneficial owner	71,992	36.00%
Mr. Chu Hing Tsung	Rong De	Beneficial owner	68,120	34.06%
Mr. Chu Muk Chi	Rong De	Beneficial owner	59,888	29.94%

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under paragraphs (a), (b) and (c) in the paragraph headed "Connected Transactions", no other transactions, arrangements and contracts of significance to which the Company or any of its subsidiaries or its holding company was a party and in which a Director and any entity connected with the Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' REPORT

### COMPETING INTERESTS

Pursuant to Rule 8.10 of the Listing Rules, during the year and as at 31 December 2015, Mr. Liao Tengjia and Mr. Huang Jiajue, the executive Directors, were interested as directors in companies that are engaged in the businesses of property development, investment and property rental in the PRC (the "Competing Businesses"). As such, they were regarded as being interested in such Competing Businesses, which competed or might compete with the Group. However, as the above Directors cannot control the Board, and a director who has material interest in a subject matter to be resolved will abstain from voting in the Board meeting concerned, the interests of the above directors in the Competing Businesses will not prejudice their capacity as director nor compromise the interests of the Group and the shareholders.

Other than as disclosed above, none of the Directors or any of their respective associates of the Company were interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the Company's business.

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

As at 31 December 2015, as far as the Directors were aware, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and required to be recorded in the register required to be kept under Section 336 of the SFO as follows:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interest (Note 13)	Number of underlying Shares	Approximate percentage of interest (Note 13)
Rong De (Note 1)	Beneficial owner	3,125,276,533 (L)	64.86%	—	—
		104,000,000 (S)	2.15%	—	—
中國華融資產管理股份有限公司 (廣東省) 分公司("中國華融") (Note 1)	Security interest	923,000,000 (L)	19.16%	—	—
Central Huijin Investment Limited (“Central Huijin”) (Notes 2, 3, 4)	Interest of a controlled corporation	15,600,000 (L)	0.32%	95,796,125 (L)	1.99%
		15,600,000 (S)	0.32%	82,674,753 (S)	1.72%
	Security interest	2,480,000,000 (L)	51.47%	—	—
	Other	20,800,000 (L) 20,800,000 (S)	0.43% 0.43%	— —	— —
Agricultural Bank of China Limited (“ABCL”) (Note 2)	Interest of a controlled corporation	1,215,600,000 (L)	25.23%	20,624,917 (L)	0.43%
		15,600,000 (S)	0.32%	20,624,917 (S)	0.43%

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interest (Note 13)	Number of underlying Shares	Approximate percentage of interest (Note 13)
Ministry of Finance of the People's Republic of China ("MOF") (Note 2)	Interest of a controlled corporation	1,215,600,000 (L)	25.23%	20,624,917 (L)	0.43%
		15,600,000 (S)	0.32%	20,624,917 (S)	0.43%
China Construction Bank Corporation ("CCB") (Note 3)	Security interest	1,280,000,000 (L)	26.57%	—	—
	Interest of a controlled corporation	—	—	39,992,691 (L)	0.83%
		—	—	13,749,946 (S)	0.29%
	Other	20,800,000 (L) 20,800,000 (S)	0.43% 0.43%	— —	— —
ICBC International Holdings Limited ("ICBCIH") (Note 4)	Interest of a controlled corporation	1,248,299,890 (L)	25.91%	—	—
		48,299,890 (S)	1.00%	—	—
The Bank of New York Mellon Corporation ("BNY") (Note 5)	Security interest	2,480,000,000 (L)	51.47%	—	—
China Orient Asset Management Corporation ("COAM") (Note 6)	Interest of a controlled corporation	22,962,402 (L)	0.48%	22,962,402 (L)	0.48%
		57,780,000 (S)	1.20%	57,780,000 (S)	1.20%
	Security interest	1,335,280,000 (L)	27.71%	—	—
Cheung Fong Wing (Note 7)	Interest of a controlled corporation	418,500,000 (L)	8.69%	—	—
Quan Xing Holdings Limited ("Quan Xing") (Note 7)	Beneficial owner	418,500,000 (L)	8.69%	—	—
China Great Wall Asset Management Corporation ("CGWAMC") (Note 8)	Interest of a controlled corporation	1,200,000,000 (L)	24.90%	—	—
China National Travel Service (HK) Group Corporation ("CNTSGC") (Note 9)	Interest of a controlled corporation	1,010,000,000 (L)	20.96%	26,242,744 (L)	0.54%
China Cinda Asset Management Co., Limited ("CCAM") (Note 10)	Interest of a controlled corporation	1,010,000,000 (L)	20.96%	9,841,030 (L)	0.20%

## DIRECTORS' REPORT

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interest (Note 13)	Number of underlying Shares	Approximate percentage of interest (Note 13)
Huarong (HK) International Holdings Limited ("HHKIH") (Note 11)	Interest of a controlled corporation	2,210,000,000 (L) 36,224,917 (S)	45.87% 0.75%	36,224,917 (L) 20,629,917 (S)	0.75% 0.43%
Walkers Fiduciary Limited ("Walkers") (Note 12)	Interest of a controlled corporation	620,000,000 (L)	12.87%	—	—

(L) Long position

(S) Short position

Notes:

- Among the 3,125,276,533 Shares held by Rong De as stated under "Directors' interests — Long position in the Shares", (i) 458,000,000 Shares, and 2,480,000,000 Shares have been pledged by Rong De to 中國華融 and BNY respectively; and (ii) pursuant to the stock borrowing agreement entered into between Rong De and the 2013 Note Investors (as defined in the Company's Circular dated 30 January 2015), the 2013 Note Investors have the right to borrow 104,000,000 Shares in aggregate from Rong De.
- According to the disclosure of interest notice filed by ABCL on 31 December 2014, Silver Bloom Investments Limited ("Silver Bloom") held direct interest in the Shares and underlying Shares. Silver Bloom is a wholly-owned subsidiary of ABCI Investment Management Limited ("ABCIIM"). ABCIIM is a wholly-owned subsidiary of ABC International Holdings Limited ("ABCIH"). ABCIH is a wholly-owned subsidiary of ABCL. According to the disclosure of interest notices filed by Central Huijin on 29 December 2015 and MOF on 31 December 2014, ABCL is in turn owned as to 40.28% by Central Huijin and as to 39.21% by MOF. Accordingly, ABCIIM, ABCIH, ABCL, Central Huijin and MOF are deemed to be interested in the Shares and underlying Shares held by Silver Bloom by virtue of the provisions of the SFO.
- According to the disclosure of interest notice filed by CCB on 29 December 2015, Design Time Limited and CCB International Overseas Limited ("CCBIO") held direct interest in the Shares and underlying Shares, and is a wholly-owned subsidiary of CCB Investments Limited ("CCBII") and CCB International (Holdings) Limited ("CCBIH"). CCBII is a wholly-owned subsidiary of CCBIH. CCBIH is a wholly-owned subsidiary of CCB Financial Holdings Limited ("CCBFH"). CCBFH is a wholly-owned subsidiary of CCB International Group Holdings Limited ("CCBIG"). CCBIG is a wholly-owned subsidiary of CCB. According to the disclosure of interest notice filed by Central Huijin on 29 December 2015, CCB is owned as to 57.31% by Central Huijin. Accordingly, CCBII, CCBIH, CCBFH, CCBIG, CCB and Central Huijin are deemed to be interested in the Shares and underlying Shares held by Design Time Limited and CCBIO by virtue of the provisions of the SFO.
- According to the disclosure of interest notice filed by ICBCIH on 23 April 2015, Fine Process Limited held direct interest in the Shares and underlying Shares and is a wholly-owned subsidiary of ICBC International Investment Management Limited ("ICBCIIM"). ICBCIIM is a wholly-owned subsidiary of ICBCIH. ICBCIH is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited ("ICBC"). According to the disclosure of interest notice filed by Central Huijin on 23 December 2015, ICBC is owned as to 35.33% by Central Huijin. Accordingly, ICBCIIM, ICBCIH, ICBC and Central Huijin are deemed to be interested in the Shares held by Fine Process Limited by virtue of the provisions of the SFO.
- According to the disclosure of interest notice filed by BNY on 12 February 2015, BNY HK held direct interest in the Shares and is wholly-owned by BNY.

6. According to the disclosure of interest notice filed by COAM on 17 February 2015, Blooming Rose Enterprises Corp. ("Blooming") held direct interest in 1,335,280,000 Shares and is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("COAM International"). China Orient Multi-Strategy Master Fund ("COMS") held indirect interest in 22,962,402 Shares and short position in 57,780,000 underlying Shares and is a wholly-owned subsidiary of China Orient International Fund Management Limited ("COIFM"). COIFM is a wholly-owned subsidiary of COAM International, which is held as to 50% by Wise Leader Assets Limited ("Wise Leader") and 50% by Dong Yin Development (Holdings) Limited ("Dong Yin"). Wise Leader is held as to 100% by Dong Yin and Dong Yin is a wholly-owned subsidiary of COAM. Accordingly, COAM International, Wise Leader, Dong Yin and COAM are deemed to be interested in the Shares and underlying Shares held by Blooming and COMS by virtue of the provisions of the SFO.
7. Quan Xing was the beneficial owner of these Shares, which is wholly-owned by Mr. Cheung Fong Wing. Accordingly, Mr. Cheung Fong Wing is deemed to be interested in the Shares held by Quan Xing by virtue of the provisions of the SFO.
8. According to the disclosure of interest notice filed by CGWAMC on 17 July 2014, Evergreat Prosper Limited held direct interest in the Shares and is a wholly-owned subsidiary of Great Wall Pan Asia International Investment Company Limited ("GWPAIICL"). GWPAIICL is a wholly-owned subsidiary of CGWAMC. Accordingly, CGWAMC and GWPAIICL are deemed to be interested in the Shares held by Evergreat Prosper Limited by virtue of the provisions of the SFO.
9. According to the disclosure of interest notice filed by CNTSGC on 9 January 2015, Wise Sharp Investments Limited held direct interest in the Shares and underlying Shares and is a wholly-owned subsidiary of China Travel Financial Holdings Co., Ltd ("CTFHCL"). CTFHCL is a 99.99% owned subsidiary of China Travel Service (Holdings) Hong Kong Limited ("CTSHKL"). CTSHKL is a wholly-owned subsidiary of CNTSGC. Accordingly, CNTSGC, CTSHKL and CTFHCL are deemed to be interested in the Shares and underlying Shares held by Wise Sharp Investments Limited by virtue of the provisions of the SFO.
10. According to the disclosure of interest notice filed by CCAM on 13 January 2015, Finic Resources Limited held direct interest in the Shares and is a wholly owned subsidiary of China Cinda (HK) Asset Management Co., Limited ("CCHKAM"). CCHKAM is a wholly owned subsidiary of China Cinda (HK) Holdings Company Limited ("CCHKH"). CCHKH is a wholly owned subsidiary of CCAM. Accordingly, CCHKH, CCHKAM and CCAM are deemed to be interested in the Shares held by Finic Resources Limited by virtue of the provisions of the SFO.
11. According to the disclosure of interest notice filed by HHKIH on 9 January 2015, Ace City Ventures Limited held direct interest in the Shares and is a wholly owned subsidiary of HHKIH. Accordingly, HHKIH is deemed to be interested in the Shares held by Ace City Ventures Limited by virtue of the provisions of the SFO.
12. According to the disclosure of interest notice filed by Walkers on 16 December 2015, COAMI ABS No.1 Limited ("COAMI") held direct interest in the Shares and is a wholly-owned subsidiary of Walkers. Accordingly, Walkers is deemed to be interested in the Shares held by COAMI by virtue of the provisions of the SFO.
13. The total number of the issued Shares as at 31 December 2105 (that was, 4,818,312,935 Shares) had been used for the calculation of the approximate percentage.

Save as disclosed above, so far as is known to the Directors, there is no other person who had an interest or short position in the Shares and 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.

Mr. Liao Tengjia is the sole director of Rong De.

## DIRECTORS' REPORT

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### CONNECTED TRANSACTIONS

(a) **Sales of properties to and decoration contracts in progress with Mr. Huang Jiajue, the Company's Deputy Chairman and an executive Director**

As at 31 December 2014, certain properties of the Group were pre-sold to Mr. Huang Jiajue at a total consideration of approximately RMB7,861,000 and down payments of approximately HK\$3,042,000 were received. During the year ended 31 December 2015, the properties were delivered and approximately HK\$9,021,000 were recognised as sales of properties.

In addition, decoration income of approximately HK\$483,000 (2014: Nil) associated with decoration contracts with Mr. Huang Jiajue was also recognised during the year ended 31 December 2015. As at 31 December 2015, included in the gross amount due to customers for contract work was an amount of approximately HK\$256,000 in relation to decoration contracts with Mr. Huang Jiajue.

(b) **Purchase of properties from Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi), the Company's Chairman and an executive Director**

The subject properties, under a property development project, were jointly developed by GZ Investment, a related party of the Group and an independent third party. GZ Investment is entitled to 75% of the distributable interests under this property development project which is legally owed by a project company (the "Project Company") and the income derived therefrom.

Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi), acquired the rights to 50 properties from GZ Investment. He is entitled to request for transfer of properties to him, or the sale proceeds of the properties if he requests the Project Company to sell the properties for him. Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) in turn agreed to sell these 50 properties to the Company's subsidiaries at a total consideration of RMB1,110,281,000 (equivalent to approximately HK\$1,379,946,000).

On 28 December 2015, the Group only completed the aforesaid purchase to the extent of 42 properties at a consideration of approximately HK\$981,234,000. As at 31 December 2015, included in the Group's prepayments is an amount of approximately HK\$147,663,000 made to Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) for interior decoration work to be carried out on these 42 properties and the acquisition of the remaining 8 properties.

The purchase of properties from Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) constitutes a connected transaction of the Company under the Listing Rules. For details, please refer to the circular of the Company dated 5 March 2015.

(c) **Unconditional irrevocable guarantee provided by Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi), the Company's Chairman and executive Director**

In relation to approximately HK\$1,369,183,000 advances made to a construction contractor, on 31 March 2015, the Company's chairman and an executive director, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) executed an unconditional irrevocable guarantee to the Group to indemnify the Group from any loss on the aforesaid advances. During the year ended 31 December 2015, the guarantee was released upon the said advances were fully repaid by the construction contractor to the Group.

All the above connected transactions are also related party transactions of the Group. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules. Save as disclosed above, none of other related party transactions constitute as non-exempt connected transactions or non-exempt continuing connected transactions for the Company in accordance with the Listing Rules during the year ended 31 December 2015.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's bye-laws or the law in Bermuda.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

A management discussion and analysis of the Group's annual results is shown on pages 6 to 16.

## **CORPORATE GOVERNANCE REPORT**

A corporate governance report is shown on pages 20 to 34.

## **AUDIT COMMITTEE**

The audit committee of the Company comprises three independent non-executive Directors. The audit committee has reviewed the accounting principles and practice adopted by the Group and the Company's audited results for the year ended 31 December 2015 and discussed with the management regarding auditing, internal control and financial reporting matters.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules during the year and up to the date of this annual report.



## DIRECTORS' REPORT

### AUDITOR

At the Company's last annual general meeting, RSM Nelson Wheeler was re-appointed as auditor of the Company. On 26 October 2015 our auditor changed the name under which it practices to RSM Hong Kong and accordingly has signed its report under its new name.

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

By Order of the Board

**Chu Hing Tsung**

*Chairman*

Hong Kong, 26 April 2016

# INDEPENDENT AUDITOR'S REPORT



## TO THE SHAREHOLDERS OF ZHUGUANG HOLDINGS GROUP COMPANY LIMITED

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Zhuguang Holdings Group Company Limited (the "Company") and its subsidiaries set out on pages 51 to 153, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### OPINION

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

**RSM Hong Kong**

*Certified Public Accountants*

Hong Kong

26 April 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>	8	<b>3,293,318</b>	2,919,522
Cost of sales		<b>(2,641,769)</b>	(1,686,016)
<b>Gross profit</b>		<b>651,549</b>	1,233,506
Investment and other income	9	<b>127,932</b>	735,131
Other gains and losses	10	<b>(10,113)</b>	(404,458)
Selling and marketing expenses		<b>(39,937)</b>	(48,111)
Administrative expenses		<b>(139,022)</b>	(91,510)
Other expenses	11	<b>(257,762)</b>	(106,587)
<b>Profit from operations</b>		<b>332,647</b>	1,317,971
Finance costs	13	<b>(1,004,642)</b>	(521,737)
Gain on disposal of subsidiaries	46	<b>1,954,560</b>	198,607
<b>Profit before tax</b>		<b>1,282,565</b>	994,841
Income tax	14	<b>(774,091)</b>	(798,888)
<b>Profit for the year</b>	15	<b>508,474</b>	195,953
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>591,409</b>	180,208
Non-controlling interests		<b>(82,935)</b>	15,745
		<b>508,474</b>	195,953
<b>Earnings per share</b>	19		
Basic		<b>12.27 cents</b>	4.24 cents
Diluted		<b>N/A</b>	N/A

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
<b>Profit for the year</b>	<b>508,474</b>	195,953
<b>Other comprehensive income for the year, net of tax</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<b>(180,090)</b>	3,338
Exchange differences reclassified to profit or loss on disposal of subsidiaries	<b>(7,543)</b>	(26,176)
Fair value changes on available-for-sale financial assets	<b>18,249</b>	—
Reclassification adjustment relating to available-for-sale financial assets upon disposal of subsidiaries	<b>(18,249)</b>	—
<b>Other comprehensive income for the year</b>	<b>(187,633)</b>	(22,838)
<b>Total comprehensive income for the year</b>	<b>320,841</b>	173,115
<b>Total comprehensive income for the year attributable to:</b>		
Owners of the Company	<b>423,717</b>	157,853
Non-controlling interests	<b>(102,876)</b>	15,262
	<b>320,841</b>	173,115

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	20	33,707	30,715
Prepaid land lease payments	21	44,084	48,273
Investment properties	22	1,237,878	686,465
Inventories	27	523,358	—
Intangible assets	23	23,184	23,055
Goodwill	24	17,401	77,838
Deferred tax assets	42	33,422	123,184
Available-for-sale financial assets	25	—	—
Financial assets at fair value through profit or loss	26	23,896	—
		<b>1,936,930</b>	989,530
<b>Current assets</b>			
Inventories	27	4,874,144	9,585,820
Accounts receivable	28	1,062,898	989,216
Prepaid land lease payments	21	1,371	1,456
Prepayments, deposits and other receivables	29	2,689,387	4,485,541
Financial assets at fair value through profit or loss	26	954,904	—
Current tax assets		60,087	115,628
Restricted bank deposits	31	187,747	171,097
Bank and cash balances	32	5,661,114	3,897,543
		<b>15,491,652</b>	19,246,301
<b>Current liabilities</b>			
Accounts payable	33	1,266,311	1,322,537
Proceeds received from pre-sale of properties	34	1,189,098	2,575,210
Gross amount due to customers for contract work	30	21,805	—
Accruals and other payables	35	461,166	479,247
Amount due to the ultimate holding company	36	880	88,511
Derivative financial liabilities	37	139,878	112,961
Borrowings	38	3,466,253	2,584,485
Finance lease payables	39	833	209
Financial guarantee contracts	40	—	100,297
Provision	41	133,983	—
Current tax liabilities		1,505,145	971,797
		<b>8,185,352</b>	8,235,254
<b>Net current assets</b>		<b>7,306,300</b>	11,011,047
<b>Total assets less current liabilities</b>		<b>9,243,230</b>	12,000,577

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Non-current liabilities</b>			
Borrowings	38	<b>4,702,108</b>	6,241,643
Finance lease payables	39	<b>1,369</b>	294
Deferred tax liabilities	42	<b>373,543</b>	1,913,416
		<b>5,077,020</b>	8,155,353
<b>NET ASSETS</b>			
		<b>4,166,210</b>	3,845,224
<b>Capital and reserves</b>			
Share capital	43	<b>481,831</b>	481,831
Reserves	45(a)	<b>3,328,884</b>	2,905,167
Equity attributable to owners of the Company		<b>3,810,715</b>	3,386,998
Non-controlling interests		<b>355,495</b>	458,226
<b>TOTAL EQUITY</b>			
		<b>4,166,210</b>	3,845,224

Approved by the Board of Directors on 26 April 2016 and are signed on its behalf by:

**Chu Hing Tsung**  
*Director*

**Ye Lixia**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Reserve on merger accounting	Exchange fluctuation reserve	Contributed surplus	Statutory reserve	Warrant reserve	Investment revaluation reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note 45(b)(i))	(Note 45(b)(ii))	(Note 45(b)(iii))	(Note 45(b)(iv))	(Note 45(b)(v))		(Note 45(b)(vi))				
At 1 January 2014	422,412	2,857,938	(101,922)	129,486	239,404	5,611	104,799	—	(330,358)	3,327,370	404,867	3,732,237
Total comprehensive income for the year	—	—	—	(22,355)	—	—	—	—	180,208	157,853	15,262	173,115
Acquisition of subsidiaries (note 47(a)(i))	—	(284,580)	—	—	—	—	—	—	—	(284,580)	447,391	162,811
Capital contribution	—	—	—	—	—	—	—	—	—	—	4	4
Issue of shares upon exercise of warrants	1,375	41,154	—	—	—	—	(11,329)	—	—	31,200	—	31,200
Purchase of non-controlling interests (note 47(a)(ii))	58,044	928,712	—	—	—	—	—	—	(831,601)	155,155	(409,298)	(254,143)
Transfer of warrants (note 38(c))	—	—	—	—	—	—	(93,470)	—	93,470	—	—	—
Changes in equity for the year	59,419	685,286	—	(22,355)	—	—	(104,799)	—	(557,923)	59,628	53,359	112,987
At 31 December 2014 and 1 January 2015	481,831	3,543,224	(101,922)	107,131	239,404	5,611	—	—	(888,281)	3,386,998	458,226	3,845,224
Total comprehensive income for the year	—	—	—	(167,692)	—	—	—	—	591,409	423,717	(102,876)	320,841
Disposal of subsidiaries (note 46(a))	—	—	—	—	—	—	—	—	—	—	145	145
Transfer	—	—	—	—	—	1,057	—	—	(1,057)	—	—	—
Changes in equity for the year	—	—	—	(167,692)	—	1,057	—	—	590,352	423,717	(102,731)	320,986
<b>At 31 December 2015</b>	<b>481,831</b>	<b>3,543,224</b>	<b>(101,922)</b>	<b>(60,561)</b>	<b>239,404</b>	<b>6,668</b>	<b>—</b>	<b>—</b>	<b>(297,929)</b>	<b>3,810,715</b>	<b>355,495</b>	<b>4,166,210</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>1,282,565</b>	994,841
Adjustments for:			
Interest income		<b>(120,631)</b>	(244,653)
Compensation income		—	(477,318)
Write back of other payables		<b>(317)</b>	(17)
Reversal of provision		—	(9,733)
Amortisation of financial guarantee contracts		<b>(646)</b>	(656)
Fair value gains on properties held for sale upon transfer to investment properties		<b>(54,735)</b>	—
Fair value gains on investment properties		<b>(6,463)</b>	(61,531)
Write-down of properties for sale under development		<b>28,349</b>	—
Net change in fair value of financial assets at fair value through profit or loss		<b>(184)</b>	37,729
Net change in fair value of derivative financial liabilities		<b>(37,104)</b>	46,973
Gain on disposal of subsidiaries	46	<b>(1,954,560)</b>	(198,607)
Amortisation on intangible assets		<b>2,999</b>	2,730
Depreciation		<b>2,804</b>	1,944
Land lease charge (in respect of prepaid land lease payments)		<b>1,427</b>	1,449
Impairment loss on goodwill		—	382,087
Provision for claims and administrative penalties		<b>139,511</b>	—
Finance costs		<b>1,004,642</b>	521,737
Loss on disposal of property, plant and equipment		<b>18</b>	450
Operating profit before working capital changes		<b>287,675</b>	997,425
Decrease/(Increase) in inventories		<b>1,006,757</b>	(401,605)
Increase in accounts receivable		<b>(73,682)</b>	(977,572)
Decrease/(Increase) in prepayments, deposits and other receivables		<b>727,400</b>	(1,493,157)
(Decrease)/Increase in accounts payable		<b>(23,621)</b>	712,035
(Decrease)/Increase in proceeds received from pre-sale of properties		<b>(1,386,112)</b>	641,114
Increase in gross amount due to customers for contract work		<b>21,805</b>	—
Decrease in accruals and other payables		<b>(8,048)</b>	(84,598)
(Decrease)/Increase in amount due to the ultimate holding company		<b>(87,631)</b>	68,528
Cash generated from/(used in) operations		<b>464,543</b>	(537,830)
Income taxes paid		<b>(53,182)</b>	(100,592)
Interest paid		<b>(843,978)</b>	(428,460)
Interest paid and capitalised		<b>(141,134)</b>	(182,082)
Finance lease charges paid		<b>(97)</b>	(29)
Net cash used in operating activities		<b>(573,848)</b>	(1,248,993)

	Note	2015 HK\$'000	2014 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		303,276	60,254
Compensation received		—	123,839
Purchase of property, plant and equipment		(15,241)	(12,717)
Purchase of intangible assets		(3,679)	(2,300)
Disposal of subsidiaries	46	2,512,406	696,529
Acquisition of subsidiaries	47	—	(173,881)
Purchase of financial assets at fair value through profit or loss		(1,539,080)	—
Proceed from disposal of financial assets at fair value through profit or loss		559,478	—
Loan to a construction contractor		(647,674)	(126,704)
Repayment of loan due from a construction constructor		126,043	—
Advance to an authorised agent		(17,904)	—
Refund of deposits		1,255,662	400,000
Deposits for acquisition of equity interest/land use right		(1,116,259)	(929,155)
Refund of prepayments for acquisition of property development projects/equity interests/(Prepayments for acquisition of property development projects/equity interests)		252,080	(203,498)
Additions of pledged bank deposits		(22,838)	(8,298)
Decrease/(Increase) in time deposits with original maturity of more than three months		1,823,033	(1,823,033)
Net cash generated from/(used in) investing activities		3,469,303	(1,998,964)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment for arrangement fee attributable to bank loans raised		(17,520)	(1,197)
Payment for arrangement fee attributable to issue of Senior Notes		(25,307)	(36,178)
Bank loans raised		415,581	3,164,853
Repayment of bank loans		(535,455)	(1,117,342)
Proceeds from issue of Senior Notes		775,447	775,079
Proceeds from other borrowings		2,527,009	1,811,085
Repayment of other borrowings		(1,943,236)	(326,879)
Repayment of finance lease payables		(801)	(199)
Proceeds from exercise of warrants		—	7,800
Net cash generated from financing activities		1,195,718	4,277,022
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>4,091,173</b>	<b>1,029,065</b>
Effect of foreign exchange rate changes		(510,757)	28,273
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>2,223,754</b>	<b>1,166,416</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>5,804,170</b>	<b>2,223,754</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Bank and cash balances		5,661,114	3,897,543
Time deposits with original maturity of more than three months		—	(1,823,033)
Guarantee deposits for construction of pre-sale properties		110,844	149,244
Guarantee deposit for payment of wages		32,212	—
		5,804,170	2,223,754

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 1. GENERAL INFORMATION

Zhuguang Holdings Group Company Limited (the “Company”) was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Room 5702-5703, 57th Floor, Two International Finance Centre, 8 Finance 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 Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 53 to the consolidated financial statements.

In the opinion of the directors of the Company, as at 31 December 2015, Rong De Investments Limited (“Rong De”), a company incorporated in the British Virgin Islands (“BVI”), is the immediate and ultimate holding company and Mr. Liao Tengjia is the ultimate controlling party of the Company.

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

### (a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its financial year beginning on 1 January 2015. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current and prior years.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS *(continued)*

#### (b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

*List of new and revised HKFRSs in issue that are relevant for the Group's operation but not yet effective:*

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

#### (c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. Although the Company is not incorporated in Hong Kong, the Rules Governing the Listing of Securities on the Stock Exchange require the Company to comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

#### (d) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. As a result, there are changes to the presentation and disclosures of certain information in the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and certain financial instruments that are measured at fair value).

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

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

#### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated exchange fluctuation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (a) Consolidation *(continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

### (b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (b) Business combination and goodwill *(continued)*

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### (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 presentation currency.

##### (ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (c) Foreign currency translation *(continued)*

#### (iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's 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 are translated at average exchange rates for the period (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 other comprehensive income and accumulated in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are reclassified to the consolidated profit or loss as part of the gain or loss on disposal.

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.

### (d) Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(d) Property, plant and equipment** *(continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Office equipment, furniture and fixtures	3 - 5 years
Motor vehicles	5 years

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

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

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.

**(e) Investment properties**

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an inventory becomes an investment property, any resulting difference between the carrying amount and the fair value of this item at the date of transfer is recognised in profit or loss.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (f) Leases

#### *The Group as lessee*

##### (i) *Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

##### (ii) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

#### *The Group as lessor — Operating leases*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (g) Intangible assets

##### (i) *Computer software*

Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of 5 years.

##### (ii) *Favourable operating leases*

The intangible asset, recognised in a business combination due to favourable terms of the operating leases, is measured initially at fair value at the acquisition date and amortised on a straight-line basis over the lease term, less impairment losses.

#### (h) Inventories

##### (i) *Properties for sale under development*

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. 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. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

##### (ii) *Properties held for sale*

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (i) Decoration contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured. If the variations have not been agreed with customer, variations will be recognised only to the extent of contract cost incurred that it is probable will be recoverable.

Contract costs incurred comprise direct materials and subcontracting costs.

The Group uses the “percentage-of-completion method” to determine the appropriate amount of revenue in a given period. When the outcome of a decoration contract can be estimated reliably, revenue from a fixed price contract is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contracts.

When the outcome of a decoration contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Decoration contracts in progress at the end of the reporting period are recorded at the amount of costs incurred plus recognised profits less recognised losses and progress billings, for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings, the net amount is presented in the consolidated statement of financial position as “Gross amount due from customers for contract work”. When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the consolidated statement of financial position as “Gross amount due to customers for contract work”. Progress billings not yet paid by the customer are included in the consolidated statement of financial position under “Accounts receivable”. Amounts received before the related work is performed are included in the consolidated statement of financial position under “Accounts payable”.

### (j) Recognition and derecognition of financial instruments

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (k) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

##### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically accounts and other receivables, bank balances and cash are classified in this category.

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

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (l) Accounts and other receivables

Accounts receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of accounts 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.

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

### (m) Cash and cash equivalents

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

### (n) Financial liabilities and equity instruments

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

### (o) Borrowings

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

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

### (p) Financial guarantee contract liabilities

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

- the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- the amount initially recognised less cumulative amortisation recognised in profit or loss in accordance with HKAS 18 "Revenue".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (q) Senior notes with detachable warrants

Senior notes with detachable transferrable warrants that may be settled by other than a fixed amount of cash for a fixed number of the Company's own equity instruments are accounted for separately as a liability and a derivative respectively, and are recognised initially at fair value. Subsequent to initial recognition, the liability is measured at amortised cost using the effective interest method, and the derivative is remeasured at fair value, with changes in fair value recognised immediately in profit or loss. Any directly attributable transaction costs of issuing senior notes with detachable warrants are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transactions costs relating to the liability component is recognised initially as part of the liability component. The portion of the transactions costs relating to the derivative component is recognised immediately in profit or loss.

#### (r) Accounts and other payables

Accounts and other payables are recognised 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.

#### (s) Equity instruments

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

#### (t) 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.

Revenue from sales of properties is recognised when the risks and rewards of ownership are transferred to the purchasers, which is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers. Revenue from sales of properties excludes business tax and other sales related taxes and is after deduction of any discounts allowed. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under proceeds received from pre-sale of properties.

Revenue from decoration service is recognised based on the stage of completion of the contract activity as detailed in note 4(i) above.

Compensation income is recognised on an accrual basis in accordance with the terms and conditions of the underlying agreement when it becomes receivable.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (t) Revenue recognition *(continued)*

Project management fee income is recognised when the service is rendered.

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

### (u) Employee benefits

#### (i) *Employee leave entitlements*

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

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

#### (ii) *Pension obligations*

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

#### (iii) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

### (v) Borrowing costs

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (w) Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (w) Taxation *(continued)*

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

### (x) Land appreciation tax (“LAT”)

LAT of the People’s Republic of China (“PRC”) is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax. LAT paid is a deductible expense for PRC corporate income tax purposes.

### (y) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

### (z) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (z) Impairment of financial assets *(continued)*

In addition, for accounts receivable that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for accounts receivable, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are recognised against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for accounts receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in investment revaluation reserve; impairment losses are not reversed through profit or loss.

#### (aa) Provisions and contingent liabilities

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

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

#### (bb) Events after the reporting period

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

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### (a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### (i) *Deferred tax for investment properties*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

#### (ii) *Basis of consolidation of subsidiaries held under structured agreement*

In 2013, the Group acquired the interest of Feng Shun Jia Rong Trading Company Limited\* ("Jia Rong"), through a sale and purchase agreement of Jia Rong's 100% income right dated 25 June 2013 (the "Income Right SP Agreement"), among the Group, Jia Rong and the owners of Jia Rong. Pursuant to the Income Right SP Agreement, the Group acquired the right to receive all the income arising from the business of Jia Rong (including, but not limited to, the income arising from the holding of the equity interest in Guangdong Xilong Property Development Company Limited\* ("Guangdong Xilong")).

The directors are of the opinion that, notwithstanding the lack of equity ownership, having considered in substance all facts and circumstances, and based on the terms and conditions of the Income Right SP Agreement, the Group has acquired control over Jia Rong and Guangdong Xilong as all the directors and legal representatives of Jia Rong and Guangdong Xilong have to be appointed by the Group; the equity owners of Jia Rong cannot make decisions relevant to the business of Jia Rong and Guangdong Xilong without prior written approval from the Group; and the Group is entitled to receive all the income arising from the business of Jia Rong and Guangdong Xilong. Accordingly, Jia Rong and Guangdong Xilong are consolidated from the date on which control is transferred to the Group.

\* English name is translated for identification purposes only.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

#### (b) Key sources of estimation uncertainty

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

##### (i) *Estimated income taxes (including LAT)*

The Group is subject to income taxes mainly in the PRC. 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. 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 periods in which such determination is made. During the year, approximately HK\$774,091,000 (2014: HK\$798,888,000) of income tax was charged to profit or loss based on the estimated profit from the Group's operations.

##### (ii) *Recognition and allocation of construction costs on properties for sale under development*

Development costs of properties are recorded as properties for sale under development during the construction stage and will be transferred to completed properties for sale and charged to profit or loss upon the recognition of the sales of properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate. During the development stage, the Group typically divides the development projects into phases. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in the future years.

The carrying amount of properties for sale under development as at 31 December 2015 was approximately HK\$3,342,152,000 (2014: HK\$9,122,964,000).

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

### (b) Key sources of estimation uncertainty *(continued)*

#### (iii) *Net realisable value of properties for sale under development and properties held for sale*

The Group assesses the carrying amounts of properties for sale under development and properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties for sale under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value for properties held for sale is determined by reference to management's estimates of the selling price based on the prevailing market conditions, less applicable variable selling expenses. The assessment requires the use of judgement and estimates.

The total carrying amount of properties for sale under development and properties held for sale as at 31 December 2015 amounted to approximately HK\$5,397,502,000 (2014: HK\$9,585,820,000). During the year ended 31 December 2015, write down of properties for sale under development amounted to approximately HK\$28,349,000 (2014: Nil).

#### (iv) *Impairment of goodwill*

Determining whether goodwill is impaired requires measurement of the recoverable amount of the CGU to which goodwill has been allocated. The recoverable amount is determined based on the higher of the fair value less costs of disposal and value in use. The valuation and calculation require the use of estimates. The carrying amount of goodwill as at 31 December 2015 was approximately HK\$17,401,000 (2014: HK\$77,838,000). Based on management's estimates, there was no impairment for goodwill for the year ended 31 December 2015 (2014: HK\$382,087,000).

#### (v) *Fair value of investment properties*

The Group appointed independent qualified professional valuers to assess the fair value of the investment properties. In determining the fair value, the valuers have utilised valuation techniques which involve certain estimates. The carrying amount of investment properties as at 31 December 2015 was approximately HK\$1,237,878,000 (2014: HK\$686,465,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

#### (b) Key sources of estimation uncertainty *(continued)*

##### (vi) *Fair value of derivative financial liabilities*

As disclosed in note 37 to the consolidated financial statements, the fair value of the derivative financial liabilities at the date of issue of the warrants and the reporting date were determined using trinomial tree method. Application of the model requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the warrants, the expected volatility of the share prices of the Company and the effective interest rate. Where the estimation on these factors is different from those previously estimated, such differences will impact the net change in fair value of derivative financial liabilities in the period in which such determination is made.

The carrying amount of the derivative financial liabilities as at 31 December 2015 was approximately HK\$139,878,000 (2014: HK\$112,961,000).

##### (vii) *Impairment loss of accounts receivable, deposits and other receivables*

The Group makes impairment loss for bad and doubtful debts based on assessment of the recoverability of the accounts receivable (note 28), and deposits and other receivables (note 29), including the current creditworthiness and the past collection history of each debtor or counterparty. Impairments arise where 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 accounts receivable, deposits and other receivables and impairment losses in the year in which such estimate has been changed.

##### (viii) *Financial guarantee contracts*

Details of financial guarantees provided by the Group as at 31 December 2015 are set out in note 49.

The Group appointed an independent qualified professional valuer to assess the fair value of financial guarantee contracts. In determining the fair value, the valuer has utilised techniques which involve certain estimates.

In addition, based on expectations at the reporting date, the directors consider that it is more likely that the guarantees will not be enforced under the arrangement. However, this estimate is subject to change depending on the probability of the counterparties claiming under the guarantees.

##### (ix) *Provision for claims and administrative penalties*

The Group assesses its obligation for non-compliance of contracts, laws or regulations in respect of the Group's property development projects and provision is recognised in profit or loss. The assessment requires the use of judgement and estimates.

The carrying amount of provisions as at 31 December 2015 was approximately HK\$133,983,000 (2014: Nil).

## 6. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
<b>Financial assets</b>		
Available-for-sale financial assets	—	—
Financial assets designated as at fair value through profit or loss	<b>978,800</b>	—
Loans and receivables (including restricted bank deposits, bank and cash balances)	<b>9,026,571</b>	8,716,010
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	<b>9,934,354</b>	10,716,423
Financial liabilities at fair value through profit or loss (classified as held for trading)	<b>139,878</b>	112,961
Financial guarantee contracts for the Group's investee company	—	100,297

### (b) 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.

#### (i) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of the respective group entities, such as United States dollars ("US\$"), Renminbi ("RMB") and Hong Kong dollars ("HK\$"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(continued)*(b) Financial risk management *(continued)*(i) Foreign currency risk *(continued)*

The Group's exposure at the end of the reporting period to foreign currency risk arising from recognised monetary assets and liabilities is as follows:

	Assets		Liabilities	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
US\$	39,975	23,614	3,124,070	2,228,634
RMB	1,182,841	2,192,996	—	253,528
HK\$	888	32,966	214,870	137,457

The table below summarises the impact of possible changes in the foreign exchange rates on the consolidated profit after tax for the year and equity.

	Functional currency strengthened/ (weakened) by	Increase/ (Decrease) in consolidated profit after tax and equity HK\$'000
<b>Year ended 31 December 2015</b>		
US\$	1%/(1%)	30,845/(30,845)
RMB	5%/(5%)	(59,142)/59,142
HK\$	5%/(5%)	10,710/(10,710)
<b>Year ended 31 December 2014</b>		
US\$	1%/(1%)	22,055/(22,055)
RMB	5%/(5%)	(96,973)/96,973
HK\$	5%/(5%)	5,349/(5,349)

## 6. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management *(continued)*

#### (ii) Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which might cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amounts of the recognised financial assets as stated in note 6(a) above and financial guarantees as stated in note 49 to the consolidated financial statements.

As at 31 December 2015, the Group's concentration of credit risk by geographical location was in the PRC which accounted for 100% (2014: 100%) of the Group's accounts receivable. As at 31 December 2015, the Group also had concentration of credit risk by purchasers as 97% (2014: 99%) of the Group's accounts receivable were due from one (2014: one) single purchaser of properties. The Group closely monitors repayment progress of the purchasers of properties in accordance with the terms under the enforceable sale and purchase agreements. In respect of rental receivable, the Group requests rental deposit from the tenant upon entering into tenancy agreement. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

As at 31 December 2015, the Group was also exposed to concentration of credit risk through its deposits for acquisition of equity interest/land use right for certain proposed acquisition of approximately HK\$1,061,803,000 (2014: HK\$1,295,024,000) and prepayments for acquisition of equity interest of approximately HK\$95,491,000 (2014: HK\$253,528,000). The directors consider that the credit risk is limited since the directors have regular liaison with the counterparties to identify any early sign of potential problems.

In addition, as at 31 December 2015, the Group had concentration of credit risk through its loans and advances of approximately HK\$900,094,000 (2014: HK\$1,505,837,000). The directors consider that the credit risk is limited since loans and advances are granted in accordance with the repayment ability of the borrowers. However, any changes in the borrowers' creditworthiness and financial standing could have an adverse impact on the Group.

The Group's credit risk on investment in a financial product is limited as the Group only invest in low-risk financial products and the counterparty is a bank with high credit rating.

The Group's credit risk on bank deposits and balances is limited because the counterparties are banks with high credit ratings.

Details of the Group's financial guarantee contract obligations are set out in note 49. The directors consider that it is more likely that the financial guarantee given by the Group will not be enforced under the arrangement, hence the Group's credit risk is significantly reduced.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

**6. FINANCIAL INSTRUMENTS** *(continued)***(b) Financial risk management** *(continued)**(iii) 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 short and longer term.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables are drawn up based on the undiscounted cash flows of non-derivative financial liabilities and the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lender were to invoke its unconditional rights to call the loans with immediate effect.

	Less than 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000
<b>At 31 December 2015</b>					
Accounts payable	1,266,311	—	—	—	1,266,311
Gross amount due to customers for contract work	21,805	—	—	—	21,805
Accruals and other payables	447,367	—	12,849	950	461,166
Amount due to the ultimate holding company	880	—	—	—	880
Borrowings	4,263,124	2,821,157	2,601,055	—	9,685,336
Finance lease payables	898	1,416	—	—	2,314
Financial guarantee contracts for purchasers' property mortgage (note 49(a))	1,124,355	—	—	—	1,124,355
Financial guarantee contract for a previous owner of the Group's subsidiary (note 49(c))	134,283	—	—	—	134,283
Provision	24,381	—	—	—	24,381
	<b>7,283,404</b>	<b>2,822,573</b>	<b>2,613,904</b>	<b>950</b>	<b>12,720,831</b>

## 6. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management *(continued)*

#### (iii) Liquidity risk *(continued)*

The table below summaries the maturity analysis of bank loans with a repayment on demand clause based on agreed schedule repayments set out in the loan agreements. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000
<b>At 31 December 2015</b>					
Accounts payable	1,266,311	—	—	—	1,266,311
Gross amount due to customers for contract work	21,805	—	—	—	21,805
Accruals and other payables	447,367	—	12,849	950	461,166
Amount due to the ultimate holding company	880	—	—	—	880
Borrowings	4,165,315	2,855,129	2,680,830	—	9,701,274
Finance lease payables	898	1,416	—	—	2,314
Financial guarantee contracts for purchasers' property mortgage (note 49(a))	1,124,355	—	—	—	1,124,355
Financial guarantee contract for a previous owner of the Group's subsidiary (note 49(c))	134,283	—	—	—	134,283
Provision	24,381	—	—	—	24,381
	<b>7,185,595</b>	<b>2,856,545</b>	<b>2,693,679</b>	<b>950</b>	<b>12,736,769</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS *(continued)*(b) Financial risk management *(continued)*(iii) Liquidity risk *(continued)*

	Less than 1 year or on demand HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total undiscounted cash flows HK\$'000
At 31 December 2014				
Accounts payable	1,322,537	—	—	1,322,537
Accruals and other payables	471,489	—	7,758	479,247
Amount due to the ultimate holding company	88,511	—	—	88,511
Borrowings	3,479,971	5,748,368	1,242,194	10,470,533
Finance lease payables	228	228	75	531
Financial guarantee contracts for purchasers' property mortgage	1,019,554	—	—	1,019,554
Financial guarantee contracts for the Group's investee company	337,078	—	—	337,078
Financial guarantee contracts for a previous owner of the Group's subsidiary	158,455	—	—	158,455
	6,877,823	5,748,596	1,250,027	13,876,446

The amount included above for financial guarantee contracts is the maximum amount the Group could be forced to settle under the arrangement if that amount were claimed by the counterparties. As at the reporting date, the directors do not consider it probable that a claim will be made against the Group under the financial guarantee contracts. However, this estimate is subject to change depending on the probability of the counterparties claiming under the financial guarantee contracts.

As at 31 December 2015, the Group's derivative financial liabilities represent redeemable warrants (note 37) issued by the Company conferring rights to the warrant holders to subscribe for ordinary shares of the Company. Any warrant holder may, at any time during the redemption period (i.e. the period of one month commencing after the exercise period) by giving not less than 7 business days notice, require the Company to redeem in whole or in part the warrants of which such warrant holder is the registered holder at the redemption price equal to a function of the unexercised subscription amount of the warrant being redeemed. The redemption price shall be settled in cash. As at 31 December 2015, the amount payable under the redemption right conferred by the Company's warrants was not fixed.

## 6. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management *(continued)*

#### (iii) Liquidity risk *(continued)*

The following table summarises the remaining contractual maturity of the warrants. The table has been drawn up based on the maximum amount the Group could be required to pay if all warrants are redeemed in whole.

	2015 HK\$'000	2014 HK\$'000
Less than 1 year	49,898	—
Between 1 and 2 years	61,639	49,898
Between 2 and 5 years	61,639	61,639
	<b>173,176</b>	111,537

#### (iv) Interest rate risk

The Group's exposure to fair value interest rate risk relates primarily to its financial assets and liabilities which bear interests at fixed rates.

The Group's exposure to cash flow interest rate risk relates primarily to variable rate bank loans and other borrowings, which is offset by bank deposits held at variable rates varied with the then prevailing market conditions.

The following table details the interest rate profile of the Group's interest bearing financial assets and liabilities at the reporting date:

	2015 HK\$'000	2014 HK\$'000
<b>Fixed rate financial assets/(liabilities)</b>		
Deposits for acquisition of equity interest/land use rights	—	633,820
Prepayments for acquisition of equity interest	—	253,528
Loan receivables	—	126,764
Bank loans	<b>(195,163)</b>	(1,926,813)
Senior Notes	<b>(2,914,608)</b>	(2,112,163)
Other borrowings	<b>(3,810,635)</b>	(3,408,025)
<b>Variable rate financial assets/(liabilities)</b>		
Bank deposits	<b>5,832,509</b>	4,054,136
Bank loans	<b>(1,247,955)</b>	(1,367,718)
Other borrowings	—	(11,409)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 6. FINANCIAL INSTRUMENTS *(continued)*

#### (b) Financial risk management *(continued)*

##### (iv) Interest rate risk *(continued)*

The sensitivity analysis below has been determined based on the exposure to cash flow interest rate risk on the Group's variable rate bank loans and other borrowings, offset by bank deposits held at variable rates, at the end of the reporting period and prepared assuming the amounts of bank deposits, bank loans and other borrowings outstanding at the end of each reporting period were outstanding for the whole year.

As at 31 December 2015, if interest rates had been 25 basis points (2014: 25 basis points) higher, with all other variables held constant, consolidated profit after tax for the year would have been increased by approximately HK\$8,494,000 (2014: HK\$4,958,000). If the interest rate had been 25 basis points (2014: 25 basis points) lower, with all other variables held constant, consolidated profit after tax for the year would have been decreased by approximately HK\$8,369,000 (2014: HK\$4,849,000). The Group currently does not have any interest rate hedging policy in relation to interest rate risk. The directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

#### (c) Fair value

Except for Senior Notes and certain other borrowings with the carrying amounts of approximately HK\$2,914,608,000 and HK\$2,958,528,000 respectively (2014: HK\$2,112,163,000 and HK\$1,585,174,000 respectively), the directors consider that the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position are not materially different from their fair value as at 31 December 2015. The directors estimate the fair value of the Senior Notes and certain other borrowings as at 31 December 2015 to be approximately HK\$2,972,250,000 and HK\$2,671,969,000 respectively (2014: HK\$2,180,116,000 and HK\$1,584,229,000 respectively). The fair value has been calculated by discounting the future cash flows at the market interest rates (level 2 measurement under HKFRS 13 "Fair Value Measurement").

## 7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

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

### (a) Disclosures of level in fair value hierarchy:

	Fair value measurements using:		Total
	Level 2 HK\$'000	Level 3 HK\$'000	2015 HK\$'000
<b>At 31 December 2015</b>			
Description			
<b>Recurring fair value measurements:</b>			
<b>Assets</b>			
Investment properties			
Hotel units — PRC	—	648,631	648,631
Commercial and office units — PRC	—	589,247	589,247
Available-for-sale financial assets			
Unlisted equity investment	—	—	—
Financial assets at fair value through profit or loss			
Investment funds	—	23,896	23,896
Financial product	954,904	—	954,904
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss			
Derivatives — warrants	—	139,878	139,878





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 7. FAIR VALUE MEASUREMENTS *(continued)*

(a) Disclosures of level in fair value hierarchy *(continued)*:

Description	Fair value measurements using:		Total
	Level 2	Level 3	2014
	HK\$'000	HK\$'000	HK\$'000
At 31 December 2014			
<b>Recurring fair value measurements:</b>			
<b>Assets</b>			
Investment properties			
Hotel units — PRC	—	686,465	686,465
Available-for-sale financial assets			
Unlisted equity investment	—	—	—
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss			
Derivatives — warrants	—	112,961	112,961

(b) Reconciliation of assets and liabilities measured at fair value based on level 3:

The movements in the investment properties held at the end of the reporting period under level 3 fair value measurements during the year are presented in note 22 to the consolidated financial statements. Fair value adjustment on investment properties are recognised and included in the line item “other gains and losses” on the face of the consolidated statement of profit or loss. All the gains recognised in profit or loss for the year arose from the investment properties held at the end of the reporting period.

## 7. FAIR VALUE MEASUREMENTS *(continued)*

### (b) Reconciliation of assets and liabilities measured at fair value based on level 3 *(continued)*:

The movements in the Group's financial assets and financial liabilities measured at fair value based on level 3 measurements during the year are as follows:

Description	Available-for-sale financial assets – Unlisted equity investment HK\$'000	Financial assets at fair value through profit and loss – Investment funds HK\$'000	Derivatives – warrants HK\$'000	2015 Total HK\$'000
At 1 January 2015	–	–	(112,961)	(112,961)
Recognition of warrants	–	–	(64,021)	(64,021)
Recognition upon disposal of a subsidiary (note 46(a))	–	–	–	–
Purchase	–	24,882	–	24,882
Exchange differences	–	(986)	–	(986)
Total gains or losses recognised in profit or loss (#)	–	–	37,104	37,104
<b>At 31 December 2015</b>	<b>–</b>	<b>23,896</b>	<b>(139,878)</b>	<b>(115,982)</b>
(#) Include gains or losses for assets held at end of reporting period	–	–	37,104	37,104

The movements in the Group's financial assets, financial liabilities and investment properties of disposal groups classified as held for sale measured at fair value based on level 3 measurements during 2014 are as follows:

Description	Investment properties of disposal groups classified as held for sale HK\$'000	Derivatives – call options HK\$'000	Derivatives – warrants HK\$'000	2014 Total HK\$'000
At 1 January 2014	620,682	38,503	–	659,185
Recognition of warrants	–	–	(65,988)	(65,988)
Derecognised upon exercise of call options	–	(774)	–	(774)
Disposal of subsidiaries	(650,707)	–	–	(650,707)
Exchange differences	(5,962)	–	–	(5,962)
Total gains or losses recognised in profit or loss (#)	35,987	(37,729)	(46,973)	(48,715)
At 31 December 2014	–	–	(112,961)	(112,961)
(#) Include gains or losses for assets held at end of reporting period	–	–	(46,973)	(46,973)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**7. FAIR VALUE MEASUREMENTS** *(continued)***(b) Reconciliation of assets and liabilities measured at fair value based on level 3** *(continued)*:

The total gains or losses recognised in profit or loss are included in the line item “other gains and losses” on the face of the consolidated statement of profit or loss.

During 2014, the fair value adjustment on investment properties recognised in profit or loss arose from the investment properties held at the end of the reporting period and those disposed of during the year through disposal of subsidiaries.

**(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 31 December 2015:**

A delegated team is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The delegated team reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the delegated team and the Board of Directors at least twice a year.

For level 2 and level 3 fair value measurements, the Group will normally engage external valuation experts with recognised professional qualifications and recent experience to perform the valuations.

*Level 2 fair value measurements*

Description	Fair value	
	2015 HK\$'000	2014 HK\$000
	Assets	Assets
Financial assets at fair value through profit or loss		
Financial product	<b>954,904</b>	—

The fair value of the financial product is approximate to its cost plus expected interest.

## 7. FAIR VALUE MEASUREMENTS *(continued)*

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 31 December 2015 *(continued)*:

#### *Level 3 fair value measurements*

Description	Valuation technique	Unobservable inputs	Range	Fair value	
				2015 HK\$'000 Assets/ (Liabilities)	2014 HK\$'000 Assets/ (Liabilities)
Investment properties — Hotel units in the PRC	Market comparable approach	Premium/(Discount) on quality of the properties	-5% to 10% (2014: -5% to 10%)	<b>648,631</b>	686,465
Investment properties — Commercial and office units in the PRC	Income capitalisation approach	Market rent	RMB33 to RMB135 (2014: N/A)	<b>589,247</b>	N/A
		Capitalisation rate	3.5% to 4% (2014: N/A)		
Available-for-sale financial assets — Unlisted equity investment	Discounted cash flow method	Dividend payment	Nil (2014: N/A)	—	N/A
		Distribution from transfer of asset or IPO	Nil (2014: N/A)		
		Residual value shared in case of winding up	Nil (2014: N/A)		
Financial assets at fair value through profit or loss — Investment funds	N/A	N/A	N/A	<b>23,896</b>	N/A
Derivatives — warrants	Trinomial tree method	Volatility	20.86% to 27.84% (2014: 32.67% to 42.64%)	<b>(139,878)</b>	(112,961)
		Effective interest rate	16.15% to 18.38% (2014: 16.75% to 17.20%)		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 7. FAIR VALUE MEASUREMENTS *(continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements as at 31 December 2015 *(continued)*:

- (i) The Group's investment properties comprise hotel properties, and commercial and office properties. The fair value of the hotel properties located in the PRC are determined using comparison method by reference to comparable recent market transactions, on a price per square meter basis, adjusted for a premium or a discount specific to the quality of the Group's investment properties. Higher premium for higher quality properties will result in a higher fair value measurement.

The fair value of the commercial and office properties located in the PRC are determined using investment method based on capitalisation of the net rental income with due allowance for the reversionary income potential. Higher market rental will result in a higher market value measurement and higher capitalisation rate will result in lower market value measurement.

During the years ended 31 December 2015 and 2014, there were no changes in the valuation techniques used.

- (ii) The fair value of unlisted equity investment is based on discounted cash flow method. Taken into consideration of the revised rights of the remaining shares held by the Group, the valuer expected that all potential cash flows from the unlisted equity investment are zero. The valuer is of the opinion that the future income generated from the shares and the chance that a market participant who acts in his economic best interest will acquire the ordinary shares is minimal, hence, the discounted value of the ordinary shares as at 31 December 2015 is zero.
- (iii) The fair value of investment funds is based on the quotes from the agents. Similar contracts are transacted in an active market and the quotes reflect the actual transactions in similar instruments.
- (iv) The fair value of the warrants issued by the Company is determined using trinomial tree method and the significant unobservable inputs used in the fair value measurement are expected volatility and effective interest rate.

The expected volatility is estimated based on historical volatility of comparable companies. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2015, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's profit after tax by approximately HK\$676,000/HK\$220,000 (2014: HK\$2,203,000/HK\$5,358,000) respectively.

The effective interest rate is determined by US\$ risk-free rate, country risk premium, credit risk premium and liquidity risk premium. The fair value measurement is negatively correlated to the effective interest rate. As at 31 December 2015, it is estimated that with all other variables held constant, an increase/decrease in the effective interest rate by 5% would have increased/decreased the Group's profit after tax by approximately HK\$1,358,000/HK\$1,385,000 (2014: HK\$586,000/HK\$600,000) respectively.

## 8. REVENUE

The principal activities of the Group are property development and sales, property rental, project management and decoration services in the PRC.

The Group's revenue represents income from sales of properties, rental income, decoration income and project management fee income, net of business tax, other sales related taxes and discounts allowed. An analysis of the Group's revenue for the year is as follows:

	2015 HK\$'000	2014 HK\$'000
Sales of properties	<b>3,192,330</b>	2,866,361
Rental income	<b>62,037</b>	49,372
Decoration income	<b>38,951</b>	—
Project management fee income	—	3,789
	<b>3,293,318</b>	2,919,522

## 9. INVESTMENT AND OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Interest income on:		
Bank deposits	<b>89,857</b>	24,817
Deposits/Prepayments for acquisition of equity interest	<b>27,454</b>	204,244
Loan receivables	<b>3,320</b>	15,592
Total interest income for financial assets that are not at fair value through profit or loss	<b>120,631</b>	244,653
Compensation income	—	477,318
Write back of other payables	<b>317</b>	17
Reversal of provision	—	9,733
Amortisation of financial guarantee contracts	<b>646</b>	656
Sundry income	<b>6,338</b>	2,754
	<b>127,932</b>	735,131

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 10. OTHER GAINS AND LOSSES

	2015 HK\$'000	2014 HK\$'000
Fair value gains on properties held for sale upon transfer to investment properties	54,735	—
Fair value gains on investment properties	6,463	61,531
Net change in fair value of financial assets at fair value through profit or loss	184	(37,729)
Net change in fair value of derivative financial liabilities	37,104	(46,973)
Net foreign exchange (loss)/gain	(92,810)	1,250
Impairment loss on goodwill	—	(382,087)
Loss on disposal of property, plant and equipment	(18)	(450)
Write-down of properties for sale under development	(28,349)	—
Recovery of other receivables previously written off	12,578	—
	<b>(10,113)</b>	<b>(404,458)</b>

## 11. OTHER EXPENSES

	2015 HK\$'000	2014 HK\$'000
Fines, land premium related charges and penalties	62,650	21,256
Provision for claims and administrative penalties	139,511	—
Other taxes	18,400	15,885
Financial advisory fees	31,072	63,390
Compensation	3,547	—
Sundry expenses	2,582	6,056
	<b>257,762</b>	<b>106,587</b>

## 12. SEGMENT INFORMATION

The Group has three reportable segments as follows:

- Property sales — property development and sales
- Property rental — property investment and property rental activities
- Project management — project management activities

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies.

The accounting policies of the reportable segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include corporate incomes and expenses. Segment assets include all assets allocated to reportable segments except computer software included in intangible assets, deposits for acquisition of equity interest/land use rights, prepayments for acquisition of property development projects/equity interest and other corporate assets which are managed on a central basis. Segment liabilities include all liabilities allocated to reportable segments except Senior Notes, derivative financial liabilities and other corporate liabilities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. SEGMENT INFORMATION *(continued)*

Information about reportable segments' profit or loss, assets and liabilities

	Property sales HK\$'000	Property rental HK\$'000	Project management HK\$'000	Total HK\$'000
<b>Year ended 31 December 2015</b>				
Revenue from external customers	3,231,281	62,037	—	3,293,318
Segment profit	1,037,028	5,291	—	1,042,319
Other information:				
Interest income	89,847	3	—	89,850
Interest expense	522,484	—	—	522,484
Depreciation and amortisation	2,497	—	—	2,497
Land lease charge (in respect of prepaid land lease payments)	1,427	—	—	1,427
Income tax	672,925	97,592	—	770,517
Other material items of income and expense:				
Fines, land premium related charges, and penalties	62,650	—	—	62,650
Gain on disposal of subsidiaries	1,954,560	—	—	1,954,560
Other material non-cash items:				
Fair value gains on properties held for sale upon transfer to investment properties	—	54,735	—	54,735
Fair value gains on investment properties	—	6,463	—	6,463
Amortisation of financial guarantee contracts	646	—	—	646
Provision for claims and administrative penalties	139,511	—	—	139,511
Write-down of properties for sale under development	28,349	—	—	28,349
Additions to segment non-current assets	14,742	554,696	—	569,438
<b>At 31 December 2015</b>				
Segment assets	14,657,748	1,259,228	—	15,916,976
Segment liabilities	9,562,704	296,990	—	9,859,694

## 12. SEGMENT INFORMATION *(continued)*

Information about reportable segments' profit or loss, assets and liabilities *(continued)*

	Property sales HK\$'000	Property rental HK\$'000	Project management HK\$'000	Total HK\$'000
<b>Year ended 31 December 2014</b>				
Revenue from external customers	2,866,361	49,372	3,789	2,919,522
Segment (loss)/profit	(279,471)	269,272	3,789	(6,410)
Other information:				
Interest income	24,746	2	—	24,748
Interest expense	224,938	—	—	224,938
Depreciation and amortisation	1,731	—	—	1,731
Land lease charge (in respect of prepaid land lease payments)	1,449	—	—	1,449
Income tax	698,191	32,541	—	730,732
Other material items of income and expense:				
Fines, land premium related charges, and penalties	21,256	—	—	21,256
Gain on disposal of subsidiaries	—	198,607	—	198,607
Other material non-cash items:				
Fair value gains on investment properties	—	61,531	—	61,531
Amortisation of financial guarantee contracts	656	—	—	656
Reversal of provision	9,733	—	—	9,733
Impairment loss on goodwill	382,087	—	—	382,087
Additions to segment non-current assets	11,298	—	—	11,298
<b>At 31 December 2014</b>				
Segment assets	15,418,258	713,923	—	16,132,181
Segment liabilities	13,417,017	192,679	—	13,609,696

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. SEGMENT INFORMATION *(continued)*

## Reconciliations of reportable segments' profit or loss, assets and liabilities

	2015 HK\$'000	2014 HK\$'000
<b>Profit or loss</b>		
Total profit or loss of reportable segments	1,042,319	(6,410)
Unallocated amounts		
Net change in fair value of financial assets at fair value through profit or loss	—	(37,729)
Net change in fair value of derivative financial liabilities	37,104	(46,973)
Other corporate (expenses)/income (net) *	(570,949)	287,065
Consolidated profit for the year	508,474	195,953
<b>Assets</b>		
Total assets of reportable segments	15,916,976	16,132,181
Unallocated amounts		
Other corporate assets	1,511,606	4,103,650
Consolidated total assets	17,428,582	20,235,831
<b>Liabilities</b>		
Total liabilities of reportable segments	9,859,694	13,609,696
Unallocated amounts		
Other corporate liabilities	3,402,678	2,780,911
Consolidated total liabilities	13,262,372	16,390,607

\* Other corporate (expenses)/income (net) include the following:

	2015 HK\$'000	2014 HK\$'000
Other income	30,782	697,224
Unallocated administration expenses, finance costs and income tax	(601,731)	(410,159)
	(570,949)	287,065

## 12. SEGMENT INFORMATION *(continued)*

### Geographical information

All the revenue generated by the Group for the years ended 31 December 2015 and 2014 were attributable to customers based in the PRC. In addition, the majority of the Group's non-current assets are located in the PRC. Accordingly, no geographical analysis is presented.

### Revenue from major customers

During the year ended 31 December 2015, revenue arising from property sales derived from the Group's largest customer which accounted for 10% or more of the Group's total revenue amounted to approximately HK\$1,091,255,000 (2014: HK\$2,309,535,000).

## 13. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on Senior Notes wholly repayable within five years	468,140	286,762
Interest on bank loans wholly repayable within five years	331,682	280,501
Interest on other borrowings wholly repayable within five years	345,857	136,527
Finance lease charges	97	29
Total borrowings costs	1,145,776	703,819
Amount capitalised	(141,134)	(182,082)
	1,004,642	521,737

Borrowing costs on funds borrowed generally are capitalised at a rate of 12.3% (2014: 11.2%) per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 14. INCOME TAX

	2015 HK\$'000	2014 HK\$'000
Current tax		
– PRC Corporate Income Tax (“CIT”)	448,931	388,903
– LAT	272,333	542,744
	<b>721,264</b>	931,647
Deferred tax (note 42)		
– CIT	25,743	(131,970)
– LAT	27,084	(789)
	<b>52,827</b>	(132,759)
	<b>774,091</b>	798,888

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both years.

Subsidiaries established in the PRC are subject to CIT at 25% (2014: 25%) based on the relevant income tax rules and regulations in the PRC.

According to the PRC corporate income tax law and the relevant PRC issued implementation regulation, the Group is subject to PRC withholding income tax of 10% on the gross rental income and gain on disposal of subsidiaries (2014: 10%).

Under the PRC corporate income tax law, dividends received by foreign investors from investment in foreign-invested enterprises in respect of their profits earned since 1 January 2008 are subject to withholding tax of 5% to 10% unless reduced by treaty. Accordingly, deferred tax has been recognised for undistributed retained profits of PRC subsidiaries at a rate of 10% to the extent that the profits will be distributed in the foreseeable future.

## 14. INCOME TAX *(continued)*

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

The reconciliation between the income tax and the product of profit before tax multiplied by the applicable tax rates is as follows:

	2015 HK\$'000	2014 HK\$'000
Profit before tax	<b>1,282,565</b>	994,841
Tax at the applicable rates in the jurisdictions concerned	<b>72,599</b>	206,085
Tax effect on LAT deductible for calculation of income tax purpose	<b>(74,854)</b>	(135,489)
Tax effect of income that is not taxable	<b>(9,492)</b>	(20,718)
Tax effect of expenses that are not deductible	<b>246,582</b>	257,695
Tax effect of temporary differences not recognised	<b>10,392</b>	(4,686)
Tax effect of utilisation of tax losses not previously recognised	<b>(31,346)</b>	(43,673)
Tax effect of tax losses not recognised	<b>89,481</b>	18,585
Tax effect of the investment cost of disposed subsidiary not deductible	<b>45,475</b>	—
LAT	<b>299,417</b>	541,955
Reversal of deferred tax assets	<b>120,777</b>	—
Deferred tax on undistributed profits of PRC subsidiaries	<b>5,035</b>	—
Effect of different tax rate	<b>25</b>	(20,866)
Income tax	<b>774,091</b>	798,888

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**15. PROFIT FOR THE YEAR**

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

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Auditor's remuneration		
— Audit	<b>2,400</b>	2,200
— Others	<b>560</b>	870
	<b>2,960</b>	3,070
Amortisation on intangible assets	<b>2,999</b>	2,730
Cost of properties sold	<b>2,607,643</b>	1,686,016
Depreciation	<b>2,804</b>	1,944
Amount capitalised	<b>(6)</b>	(16)
Depreciation, net of amount capitalised	<b>2,798</b>	1,928
Loss on disposal of property, plant and equipment	<b>18</b>	450
Operating lease charges in respect of land and buildings	<b>14,516</b>	12,646

## 16. EMPLOYEE BENEFITS EXPENSE

	2015 HK\$'000	2014 HK\$'000
Employee benefits expense (excluding directors' emoluments)		
— Salaries, bonus and allowances	41,494	25,545
— Retirement benefit scheme contributions	6,138	1,673
	<b>47,632</b>	27,218
Amount capitalised		
— Salaries, bonus and allowances	(5,922)	(5,886)
— Retirement benefit scheme contributions	(447)	(516)
	<b>(6,369)</b>	(6,402)
Employee benefits expense net of amount capitalised		
— Salaries, bonus and allowances	35,572	19,659
— Retirement benefit scheme contributions	5,691	1,157
	<b>41,263</b>	20,816

Five highest paid individuals:

The five highest paid individuals in the Group during the year included four (2014: four) directors whose emoluments are reflected in the analysis presented in note 17. The emoluments of the remaining one (2014: one) individual are set out below:

	2015 HK\$'000	2014 HK\$'000
Basic salaries and allowances	1,170	1,080
Retirement benefit scheme contributions	18	17
	<b>1,188</b>	1,097



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

**16. EMPLOYEE BENEFITS EXPENSE** (continued)

The emoluments fell within the following band:

	Number of individuals	
	2015	2014
HK\$1,000,000 to HK\$1,500,000	1	1

**17. BENEFITS AND INTERESTS OF DIRECTORS**

## (a) Directors' emoluments

The emoluments paid to or receivable by each of the nine (2014: seven) directors and the chief executive whether of the Company or its subsidiary undertaking are as follows:

Name of director	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement	Total HK\$'000
			benefit scheme contributions HK\$'000	
<b>Executive directors</b>				
– Mr. Liao Tengjia	–	4,117	53	4,170
– Mr. Chu Hing Tsung, alias Zhu Qing Yi	–	3,250	–	3,250
– Mr. Chu Muk Chi, alias Zhu La Yi	–	1,040	–	1,040
– Mr. Huang Jiajue	–	3,713	53	3,766
– Ms. Ye Lixia (Note (i))	–	1,932	–	1,932
<b>Independent non-executive directors</b>				
– Mr. Leung Wo Ping <i>JP</i>	480	–	–	480
– Mr. Law Shu Sang Joseph (Note (ii))	182	–	–	182
– Mr. Wong Chi Keung	480	–	–	480
– Dr. Feng Ke (Note (i))	259	–	–	259
<b>Total for 2015</b>	<b>1,401</b>	<b>14,052</b>	<b>106</b>	<b>15,559</b>

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

## (a) Directors' emoluments (continued)

Name of director	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>				
— Mr. Liao Tengjia	—	2,636	—	2,636
— Mr. Chu Hing Tsung, alias Zhu Qing Yi	—	2,100	—	2,100
— Mr. Chu Muk Chi, alias Zhu La Yi	—	890	—	890
— Mr. Huang Jiajue	—	2,654	—	2,654
<b>Independent non-executive directors</b>				
— Mr. Leung Wo Ping <i>JP</i>	400	—	—	400
— Mr. Law Shu Sang Joseph	400	—	—	400
— Mr. Wong Chi Keung	400	—	—	400
Total for 2014	1,200	8,280	—	9,480

Notes:

- (i) Appointed on 17 June 2015
- (ii) Resigned on 18 May 2015

In the prior year, Mr. Chu Hing Tsung, alias Zhu Qing Yi is also the chief executive of the Company. With effect from 21 August 2015, Mr. Chu Hing Tsung, alias Zhu Qing Yi has resigned as the chief executive and Mr. Liao Tengjia has been appointed as the chief executive. Their emoluments disclosed above include those for service rendered by them as the chief executive.

Neither the chief executive nor any directors waived any emoluments during the year (2014: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 17. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

#### (b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's or the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Significant transactions, arrangements and contracts in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year were disclosed in the directors' report.

### 18. DIVIDENDS

The directors do not recommend the payment of any dividend (2014: Nil) in respect of the year.

### 19. EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK\$591,409,000 (2014: HK\$180,208,000) divided by the weighted average number of ordinary shares of 4,818,312,935 (2014: 4,251,851,111) in issue during the year.

#### (b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2015 and 2014 have not been presented as the Company's outstanding warrants had no dilutive effect for the year ended 31 December 2015 and 2014 as the exercise prices of those warrants were higher than the average market price for shares.

## 20. PROPERTY, PLANT AND EQUIPMENT

	Office equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1 January 2014	2,947	3,773	16,447	23,167
Additions	3,480	149	9,088	12,717
Disposals	(1,089)	—	—	(1,089)
Acquisition of a subsidiary	157	—	—	157
Exchange differences	7	(3)	(15)	(11)
At 31 December 2014	5,502	3,919	25,520	34,941
Additions	1,194	11,180	5,367	17,741
Transfer	—	—	(10,142)	(10,142)
Disposal	(351)	—	—	(351)
Disposal of subsidiaries	(6)	—	—	(6)
Exchange differences	(215)	(400)	(1,301)	(1,916)
<b>At 31 December 2015</b>	<b>6,124</b>	<b>14,699</b>	<b>19,444</b>	<b>40,267</b>
<b>Accumulated depreciation</b>				
At 1 January 2014	1,080	1,836	—	2,916
Charge for the year	1,185	759	—	1,944
Disposals	(635)	—	—	(635)
Exchange differences	1	—	—	1
At 31 December 2014	1,631	2,595	—	4,226
Charge for the year	1,833	971	—	2,804
Disposal	(333)	—	—	(333)
Disposal of subsidiaries	(1)	—	—	(1)
Exchange differences	(80)	(56)	—	(136)
<b>At 31 December 2015</b>	<b>3,050</b>	<b>3,510</b>	<b>—</b>	<b>6,560</b>
<b>Carrying amount</b>				
<b>At 31 December 2015</b>	<b>3,074</b>	<b>11,189</b>	<b>19,444</b>	<b>33,707</b>
At 31 December 2014	3,871	1,324	25,520	30,715

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 20. PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2015, the carrying amount of motor vehicles held by the Group under finance leases amounted to approximately HK\$3,095,000 (2014: HK\$607,000).

As at 31 December 2015, the construction in progress was pledged as security for the Group's bank loans (details of which are set out in note 38(b) to the consolidated financial statements).

### 21. PREPAID LAND LEASE PAYMENTS

	2015 HK\$'000	2014 HK\$'000
At 1 January	49,729	51,356
Amortisation for the year	(1,427)	(1,449)
Exchange differences	(2,847)	(178)
At 31 December	45,455	49,729
Current portion	(1,371)	(1,456)
Non-current portion	44,084	48,273

The Group's prepaid land lease payments are in relation to land use rights in Guangzhou, the PRC for hotel buildings. As at 31 December 2015, the land use rights were pledged as security for the Group's bank loans (details of which are set out in note 38(b)).

### 22. INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
At 1 January	686,465	663,024
Transfer from properties held for sale	554,696	—
Fair value gains upon transfer from properties held for sale	54,735	—
Fair value gains	6,463	25,544
Exchange differences	(64,481)	(2,103)
At 31 December	1,237,878	686,465

## 22. INVESTMENT PROPERTIES *(continued)*

- (a) During the year ended 31 December 2015, certain properties previously included in properties held for sale with an aggregate carrying amount of approximately HK\$554,696,000 (2014: Nil) were transferred to investment properties upon commencement of operating lease (that is the date the lessee is entitled to use the property). These properties were re-measured at their respective fair values upon transfer. The differences between the fair values and carrying amounts upon transfer, amounting to approximately HK\$54,735,000, were recognised in profit or loss as “fair value gains on properties held for sale upon transfer to investment properties” included in “other gains and losses”.
- (b) The Group’s investment properties, situated in the PRC, comprise approximately HK\$648,631,000 hotel properties and HK\$589,247,000 commercial and office properties. The Group’s investment properties held under operating leases for rental purposes are measured using the fair value model.

The fair value of the hotel properties as at 31 December 2015 was based on a valuation carried out by A.G. Wilkinson & Associates (Surveyors) Limited, an independent qualified professional valuer not connected with the Group with substantial experience in valuation of properties. The valuation of hotel properties was carried out, on the basis of market value, by comparison method with reference to comparable market transactions, adjusted for a premium or a discount specific to the quality of the investment properties.

The fair value of the commercial and office properties as at the date of transfer from properties held for sale and at 31 December 2015 was based on a valuation carried out by Greater China Appraisal Limited, an independent qualified professional valuer not connected with the Group with substantial experience in valuation of properties. The valuation was carried out, on the basis of market value, by investment method based on capitalisation of the net rental income with due allowance for the reversionary income potential.

- (c) As at 31 December 2015, certain investment properties were pledged for the Group’s bank loans and other borrowings (details of which are set out in note 38(b) and 38(d)).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 23. INTANGIBLE ASSETS

	<b>Favourable operating leases on business combination</b>	<b>Computer software</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>			
At 1 January 2014	37,618	9,754	47,372
Additions	—	2,300	2,300
Exchange differences	—	(22)	(22)
At 31 December 2014	37,618	12,032	49,650
Additions	—	3,679	3,679
Exchange differences	—	(848)	(848)
<b>At 31 December 2015</b>	<b>37,618</b>	<b>14,863</b>	<b>52,481</b>
<b>Accumulated amortisation and impairment</b>			
At 1 January 2014	22,835	1,022	23,857
Amortisation for the year	421	2,309	2,730
Exchange differences	—	8	8
At 31 December 2014	23,256	3,339	26,595
Amortisation for the year	421	2,578	2,999
Exchange differences	—	(297)	(297)
<b>At 31 December 2015</b>	<b>23,677</b>	<b>5,620</b>	<b>29,297</b>
<b>Carrying amount</b>			
<b>At 31 December 2015</b>	<b>13,941</b>	<b>9,243</b>	<b>23,184</b>
At 31 December 2014	14,362	8,693	23,055

## 24. GOODWILL

	2015 HK\$'000	2014 HK\$'000
<b>Cost</b>		
At 1 January	464,074	22,691
Arising on acquisition of subsidiaries	—	441,308
Derecognised on disposal of subsidiaries (note 46(a))	(424,915)	—
Exchange differences	(1,079)	75
At 31 December	38,080	464,074
<b>Accumulated impairment losses</b>		
At 1 January	386,236	4,149
Impairment loss	—	382,087
Derecognised on disposal of subsidiaries (note 46(a))	(365,557)	—
Exchange differences	—	—
At 31 December	20,679	386,236
<b>Carrying amount</b>		
At 31 December	17,401	77,838

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (“CGUs”) that are expected to benefit from that business combination. The carrying amount of goodwill was allocated as follows:

	2015 HK\$'000	2014 HK\$'000
Property development and sales segment		
Guangdong Xilong	17,401	18,480
Guangzhou Yifa Development Company Limited* (“Guangzhou Yifa”)	—	59,358
	17,401	77,838

\* English name is translated for identification purposes only.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**24. GOODWILL** *(continued)*

The recoverable amount of the CGU of Guangdong Xilong is determined based on the fair value less costs of disposal, by reference to the fair value of the underlying properties measured by using comparable market transactions and adjusted for a premium or a discount specific to the quality of the underlying properties, as assessed by an independent qualified professional valuer and approved by the directors. The assumptions used in deriving the fair value less costs of disposal are based on management's past experience and expectations in respect of the market development in the PRC property market. The valuation is categorised as a level 3 measurement under HKFRS 13.

**25. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Unlisted equity investment, at fair value	—	—

In the prior year, the Group held 100% interest in Joygain Holdings Limited ("Joygain") and accounted for Joygain as a subsidiary. On 31 December 2015, the Group disposed of 95.7% interest in Joygain to a third party (Note 46(a)). Subsequent to the aforesaid disposal, the Group has accounted for the remaining 4.3% interest (2,140 ordinary shares in Joygain) as an available-for-sale investment. Pursuant to the written resolutions of directors and shareholders of Joygain on 31 December 2015 (subject to the registration of the amended and restated memorandum and articles of Joygain with the Registrar of Corporate Affairs in the British Virgin Islands on 14 January 2016), all the existing 2,140 ordinary shares held by the Group in Joygain were redesignated as 2,140 deferred shares with no voting right, no right to dividends and deferred right to distribution in case of winding up ranking after the holders of the ordinary shares of Joygain.

As at 31 December 2015, the fair value of the investment in Joygain is determined by the directors with reference to the valuation carried out by an independent qualified professional valuer. Taken into consideration of the revised rights of the remaining shares in Joygain and based on discounted cash flow method, the valuer expected that all potential cash flows from the 2,140 ordinary shares in Joygain are zero. The valuer is of the opinion that the future income generated from the shares and the chance that a market participant who acts in his economic best interest will acquire the ordinary shares is minimal, hence, the discounted value of the ordinary shares as at 31 December 2015 is zero.

In the prior year, the available-for-sale financial assets represented the Group's 16.67% interest in Guangdong Province Huashui Shui Li Investment Company Limited\* ("Guangdong Huashui"). Guangdong Huashui is registered as a limited liability company under the PRC law and is in the business of water supply operation services. On 31 December 2015, the investment in Guangdong Huashui was disposed of as a consequence of the disposal of Joygain and its subsidiaries. At the date of disposal, the fair value of the available-for-sale financial assets amounted to approximately HK\$18,249,000 (Note 46(a)).

\* English name is translated for identification purposes only.

## 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
Unlisted investment funds, at fair value	23,896	—
Current assets		
Financial product, at fair value	954,904	—
	<b>978,800</b>	—

- (a) The Group subscribed for certain unlisted PRC investment funds for an aggregate amount of RMB20,020,000 (equivalent to approximately HK\$23,896,000), being 1% of the loan principal raised by the Group during the year. The investment funds are managed with expected return equal to one-year prevailing saving interest rate quoted by the People's Bank of China, and are pledged for the Group's other borrowings (details of which are set out in note 38(d)).

As at 31 December 2015, the fair values of the investment funds were quoted by the lenders (which also act as the agents for the subscription and return of the investment funds).

- (b) The Group subscribed for a financial product issued by a bank in the PRC with floating annual return ranging from 2.1% to 3.3% per annum. The principal is not protected. It was redeemed by the Group in January 2016. The fair value of the financial product is approximate to its cost plus expected return.

## 27. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Properties for sale under development	3,342,152	9,122,964
Properties held for sale	2,055,350	462,856
At 31 December	<b>5,397,502</b>	9,585,820

- (a) Properties for sale under development are analysed as follows:

	2015 HK\$'000	2014 HK\$'000
Within a normal operating cycle included in current assets	2,818,794	9,122,964
Beyond a normal operating cycle included in non-current assets	523,358	—
	<b>3,342,152</b>	9,122,964

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**27. INVENTORIES** *(continued)*

- (b) The amount of properties for sale under development (within a normal operating cycle) expected to be recovered after more than one year is analysed as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Properties for sale under development	<b>1,913,090</b>	5,686,263

- (c) As at 31 December 2015, certain properties for sale under development and properties held for sale were pledged for the Group's bank loans and other borrowings (details of which are set out in notes 38(b) and 38(d)).

**28. ACCOUNTS RECEIVABLE**

The Group's accounts receivable represent receivables from property rental, sales of properties and decoration services. Rental receivables from tenants are due on presentation of invoices and there are no credit terms for sales of properties and decoration services unless otherwise specified in the underlying agreements with the purchasers.

The aging analysis of accounts receivable, based on revenue recognition date is as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Within 3 months	<b>1,044,394</b>	987,798
4 to 6 months	—	850
7 to 12 months	<b>1,304</b>	—
Over 1 year	<b>17,200</b>	568
	<b>1,062,898</b>	989,216

Trade receivables are analysed as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Fully performing under credit terms	<b>1,015,700</b>	982,928
Past due but not impaired	<b>47,198</b>	6,288
	<b>1,062,898</b>	989,216

## 28. ACCOUNTS RECEIVABLE *(continued)*

Fully performing under credit term receivables mainly represent receivables of approximately HK\$999,168,000 from sales of properties to one single independent purchaser in 2015. Subsequent to the reporting date, the receivables from this one single independent purchaser was fully settled.

Past due but not impaired receivables represent receivables relating to certain independent purchasers and a tenant. In respect of the accounts receivable that arose from sales of properties and decoration services of approximately HK\$38,341,000 and HK\$152,000 respectively (2014: HK\$1,886,000 and Nil), the directors consider that these receivables would be recovered and no allowance for impairment was made against these past due receivables. Regarding the rental receivable of approximately HK\$8,705,000 (2014: HK\$4,402,000), the balance was fully settled subsequent to the reporting date. The Group holds rental deposits as collateral from the tenant. As such, the directors consider that no allowance for impairment is necessary in respect of the rental receivable.

## 29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Deposits for acquisition of equity interest/land use rights (note (a))	<b>1,073,740</b>	1,307,700
Prepayments for acquisition of property development projects/equity interest (note (b))	<b>348,353</b>	608,139
Prepaid construction costs	<b>100,223</b>	292,465
Loans and advances (note (c))	<b>900,094</b>	1,505,837
Other prepayments, deposits and receivables	<b>265,223</b>	231,872
Interest receivables	<b>1,754</b>	184,399
Compensation receivables	—	355,129
	<b>2,689,387</b>	4,485,541

Notes:

- (a) Included in deposits for acquisition of equity interest/land use rights mainly are the following deposits:

As at 31 December 2015, approximately RMB889,558,000 (equivalent to approximately HK\$1,061,803,000) was prepaid through an authorised agent (the "Authorised Agent") for the proposed acquisitions of equity interest in a PRC entity and land use rights in the PRC for property development for sale.

As no definitive agreement could be entered into, the Group terminated the proposed acquisitions in March 2016. The deposits were fully refunded to the Group in March 2016.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES** *(continued)*Notes: *(continued)*

(b) As at 31 December 2015, the Group's prepayments for acquisition of property development projects/equity interest comprise the following:

- (i) Up to 31 December 2015, RMB200 million (equivalent to approximately HK\$252,862,000) (2014: RMB200 million (equivalent to approximately HK\$252,862,000)) was prepaid through the Authorised Agent for the proposed acquisition of property development project/equity interest held by Guangzhou Zhuguang Zhiye Company Limited\* ("Guangzhou Zhuguang Zhiye"). Guangzhou Zhuguang Zhiye is considered as a related party of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence over Guangdong Zhuguang Group Company Limited\* ("Guangdong Zhuguang") and its subsidiary, Guangzhou Zhuguang Zhiye.

In relation to this proposed acquisition, Guangdong Zhuguang, the holding company of Guangzhou Zhuguang Zhiye, and one of its equity owners have undertaken to the Group to guarantee the due performance by Guangzhou Zhuguang Zhiye with respect to its obligations under certain memorandum of understanding and/or agreement entered into with the Authorised Agent.

Up to the date of these consolidated financial statements, no definitive agreement has been entered into by the Group.

- (ii) Up to 31 December 2015, RMB80 million (equivalent to approximately HK\$95,491,000) (2014: RMB80 million (equivalent to approximately HK\$101,749,000)) was prepaid through the Authorised Agent for the proposed acquisition of a property development project held by Guangdong Zhuguang. Guangdong Zhuguang is considered as a related party of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence over Guangdong Zhuguang.

As no definitive agreement could be entered into, the Group terminated the proposed acquisition in March 2016. The deposit was fully refunded to the Group in March 2016.

(c) Included in loans and advances are amounts of approximately:

- (i) HK\$647,674,000 made to a construction contractor which is unsecured, interest-free and has no fixed repayment terms. Subsequent to the reporting date, approximately HK\$248,275,000 was repaid to the Group. In relation to the unsettled balance, on 25 April 2016 the Company's director, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) executed an unconditional irrevocable guarantee to the Group to indemnify the Group from any loss on the aforesaid advance.
- (ii) HK\$234,516,000 due from Joygain and its subsidiaries, which were disposed of by the Group on 31 December 2015 (Note 46(a)). The amount is unsecured, interest-free and has no fixed repayment terms. Subsequent to the reporting date, the amount was fully repaid to the Group.
- (iii) HK\$17,904,000 made to the Authorised Agent which is unsecured, interest-free and has no fixed repayment terms. Subsequent to the reporting date, the advance was fully repaid to the Group.

\* English name is translated for identification purposes only.

### 30. GROSS AMOUNT DUE TO CUSTOMERS FOR CONTRACT WORK

	2015 HK\$'000	2014 HK\$'000
Contract costs incurred plus recognised profits less recognised losses to date	39,627	—
Less: Progress billings	(61,432)	—
Gross amount due to customers for contract work	<b>(21,805)</b>	—

### 31. RESTRICTED BANK DEPOSITS

	2015 HK\$'000	2014 HK\$'000
Guarantee deposits for construction of pre-sale properties	110,844	149,244
Guarantee deposit for payment of wages	32,212	—
Pledged bank deposits (note 38(b))	44,691	21,853
	<b>187,747</b>	171,097

As required by the PRC State-Owned Land and Resource Bureau, the Group is required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for construction of related properties. The deposits can only be used for purchases of construction materials and the payments of construction costs of the relevant property projects when approval from PRC State-Owned Land Resource Bureau is obtained. Such guarantee deposits will only be released after completion of related pre-sale properties.

The Group is required to place a deposit in a designated bank account solely for settlement of the Group's payable to construction workers. The deposit will only be released after completion of the relevant property development project.

As at 31 December 2015, the restricted bank deposits of the Group denominated in RMB amounted to approximately HK\$175,283,000 (2014: HK\$149,244,000). 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.

### 32. BANK AND CASH BALANCES

As at 31 December 2015, the bank and cash balances of the Group denominated in RMB amounted to approximately HK\$5,603,601,000 (2014: HK\$3,849,213,000). 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 33. ACCOUNTS PAYABLE

The aging analysis of accounts payable, based on the payment due date is as follows:

	2015 HK\$'000	2014 HK\$'000
Within 3 months	996,493	1,296,134
4 to 6 months	13,073	9,778
7 to 12 months	156,164	16,437
Over 1 year	100,581	188
	<b>1,266,311</b>	1,322,537

### 34. PROCEEDS RECEIVED FROM PRE-SALE OF PROPERTIES

Proceeds received from purchasers in connection with the Group's pre-sale of properties to be settled after more than one year are analysed as follows:

	2015 HK\$'000	2014 HK\$'000
Settled after more than one year	210,120	298,949

Apart from the above, all other proceeds from pre-sale of properties are expected to be settled within one year.

### 35. ACCRUALS AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Consideration payables	—	253,528
Rental deposits received	13,799	7,758
Other creditors and accrued charges	447,367	217,961
	<b>461,166</b>	479,247

The Group's rental deposits received are expected to be settled after more than one year.

### 36. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY

As at 31 December 2015, the amount due to the ultimate holding company is unsecured, interest-free and repayable on demand.

### 37. DERIVATIVE FINANCIAL LIABILITIES

	2015 HK\$'000	2014 HK\$'000
2013 Warrants (note 38(c))	45,497	54,273
2014 Warrants (note 38(c))	94,381	58,688
	<b>139,878</b>	112,961

The above warrants were measured at their fair value on 31 December 2015. The fair value (categorised as a level 3 measurement under HKFRS 13) of the warrants was based on a valuation, using trinomial tree method, carried out by an independent qualified professional valuer and approved by the directors. The significant unobservable inputs used in the fair value measurement are expected volatility and effective interest rate.

### 38. BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Bank loans — secured (note (b))	1,443,118	3,294,531
Senior Notes — secured (note (c))	2,914,608	2,112,163
Other borrowings — secured (note (d))	3,652,517	3,419,434
Other borrowings — unsecured (note (e))	158,118	—
	<b>8,168,361</b>	8,826,128

(a) The borrowings are repayable as follows:

	2015 HK\$'000	2014 HK\$'000
On demand or within one year	3,362,326	2,584,485
In the second year	1,568,040	3,762,011
In the third to fifth years, inclusive	3,134,068	2,479,632
	<b>8,064,434</b>	8,826,128
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	103,927	—
	<b>8,168,361</b>	8,826,128
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(3,466,253)</b>	(2,584,485)
Amount due for settlement after 12 months	<b>4,702,108</b>	6,241,643



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 38. BORROWINGS *(continued)*

#### (b) Bank loans

As at 31 December 2015, the bank loans were secured by the following:

- (i) the Group's investment properties with carrying amount of approximately HK\$653,960,000;
- (ii) the Group's land use rights classified under prepaid land lease payments and the construction in progress thereon of approximately HK\$45,455,000 and HK\$19,444,000 respectively;
- (iii) the Group's properties for sale under development and properties held for sale totalled approximately HK\$1,664,727,000;
- (iv) the Group's pledged bank deposits of approximately HK\$44,691,000;
- (v) charge over the assets provided by Beijing Zhuguang Property Development Company Limited\* ("Beijing Zhuguang Property");
- (vi) charge over the entire issued share capital of the Company's subsidiaries, Diamond Crown Limited, Graceful Link Limited and Speedy Full Limited;
- (vii) assignment of all rental income from the Group's investment properties with carrying amount of approximately HK\$648,631,000; and
- (viii) corporate guarantees executed by Guangdong Zhuguang.

Guangdong Zhuguang and Beijing Zhuguang Property are considered as related parties of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence in Guangdong Zhuguang and Beijing Zhuguang Property.

As at 31 December 2015, the effective interest rates on the bank loans ranged from 2.5% to 10.7% (2014: 4.9% to 12.5%) per annum.

\* English name is translated for identification purposes only.

## 38. BORROWINGS *(continued)*

### (c) Senior Notes

#### *Senior Notes 2013*

Pursuant to a note purchase agreement dated 22 July 2013 together with certain supplemental agreements thereto, the Company issued secured and guaranteed senior notes in an aggregate principal amount of US\$200 million (the “Senior Notes 2013”) to certain investors in 2013. The Senior Notes 2013, due on 4 August 2016, are interest-bearing at 12.5% per annum and interests are payable quarterly in arrears.

The liability component of the Senior Notes 2013 is accounted for as financial liabilities, initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. The effective interest rates ranged from 16.20% to 17.70% (2014: 16.20% to 17.70%) per annum.

Concurrent with the issuance of the Senior Notes 2013, nil-paid warrants (the “2013 Warrants”) representing a total aggregate amount of exercise moneys of US\$40 million (the exchange rate to be used for the purchase of HK\$ with US\$ shall be HK\$7.8 per US\$1.0) were granted by the Company to these investors to subscribe for 137,499,449 ordinary shares of the Company at an initial exercise price of HK\$2.2691 per ordinary share of the Company, which is subject to certain anti-dilutive adjustments. The 2013 Warrants are not listed on the Stock Exchange and are exercisable at any time up to three years from 5 August 2013.

Pursuant to a supplemental instrument dated 14 July 2014 to the terms and conditions of the 2013 Warrants constituted by the warrant instrument (the “Supplemental Instrument”), the terms of the 2013 Warrants were amended by inserting a new redemption clause. With effect from 14 July 2014, any warrant holder may, at any time during the redemption period (i.e. the period of one month commencing on the date immediately after the exercise period) by giving not less than 7 business days notice, require the Company to redeem in whole or in part the 2013 Warrants of which such warrant holder is the registered holder at the redemption price equal to a function of the unexercised subscription amount of the warrant being redeemed. The redemption price shall be settled in cash. Accordingly, the nature of the 2013 Warrants was changed from equity to derivative upon the introduction of the redemption clause giving any warrant holder a choice over how such warrant can be settled and therefore the then warrant reserve with a carrying amount of approximately HK\$93,470,000 was transferred to accumulated losses within equity. The new warrants (with the redemption clause), are accounted for as derivative financial liabilities, initially recognised at fair value (with any difference taken to profit or loss in the absence of consideration received by the Company) and subsequently measured at fair value through profit or loss.

As at 31 December 2015, the outstanding 2013 Warrants carrying exercise moneys amounted to US\$33 million (2014: US\$33 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**38. BORROWINGS** *(continued)***(c) Senior Notes** *(continued)**Senior Notes 2013 (continued)*

The Senior Notes 2013 are secured and guaranteed by:

- (i) 1,200 million ordinary shares of the Company owned by Rong De;
- (ii) 100% equity interest of the Company's subsidiaries: Top Perfect Development Limited ("Top Perfect"), Ever Crown Corporation Limited ("Ever Crown"), East Orient Investment Limited ("East Orient") and Fully Wise Investment Limited ("Fully Wise");
- (iii) corporate guarantees executed by Rong De, Top Perfect, Ever Crown, East Orient, Fully Wise and Zhuguang Group (Hong Kong) Limited; and
- (iv) guarantees executed by the Company's directors, Mr. Liao Tengjia, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) and Mr. Chu Muk Chi (alias Mr. Zhu La Yi).

The movements of the Senior Notes 2013 with detachable warrants during the year are set out below:

	<b>Liability</b> HK\$'000	<b>Derivative</b> HK\$'000
At 1 January 2014	1,387,851	—
Interest expense	237,489	—
Interest paid	(190,028)	—
Setting off against the outstanding principal upon exercise of warrants	(23,400)	—
Exchange differences	410	—
Recognition of redeemable warrants as derivative pursuant to the Supplemental Instrument (note)	—	86,406
Net change in fair value recognised in profit or loss (note)	—	(32,133)
At 31 December 2014	1,412,322	54,273
Interest expense	243,381	—
Interest paid	(189,961)	—
Exchange differences	(992)	—
Net change in fair value recognised in profit or loss (note)	—	(8,776)
<b>At 31 December 2015</b>	<b>1,464,750</b>	<b>45,497</b>

Note:

The net change in fair value of the derivative financial liabilities was included in "other gains and losses" line item in the consolidated financial statements.

## 38. BORROWINGS *(continued)*

### (c) Senior Notes *(continued)*

#### *Senior Notes 2014*

Pursuant to a Note Purchase Agreement dated 20 June 2014 together with certain supplemental agreements thereto, the Company issued first tranche secured and guaranteed senior notes of US\$40 million and US\$60 million, totalling US\$100 million (the “First Tranche Senior Notes 2014”), to certain investors on 17 July 2014 and 18 July 2014 respectively. In addition, the Company issued second tranche secured and guaranteed senior notes of US\$65 million and US\$35 million, totalling US\$100 million (the “Second Tranche Senior Notes 2014”), to certain investors on 8 January 2015 and 13 February 2015 respectively.

The Senior Notes 2014, due 36 months after the issue date, are interest-bearing at 11.8% per annum and interests are payable quarterly in arrears.

Concurrent with the issuance of the Senior Notes 2014, nil-paid warrants (the “2014 Warrants”) representing a total amount of exercise moneys of US\$40 million (the exchange rate to be used for the purchase of HK\$ with US\$ shall be HK\$7.8 per US\$1.0) were granted by the Company to these investors to subscribe for 131,213,726 ordinary shares of the Company at an initial exercise price of HK\$2.3778 per ordinary share of the Company, which are subject to certain anti-dilutive adjustments. The 2014 Warrants are exercisable at any time up to 36 months from the issue date of such warrant.

In addition, any warrant holder may, at any time during the redemption period (i.e. the period of one month commencing after the exercise period) by giving not less than 7 business days notice, require the Company to redeem in whole or in part the 2014 Warrants, of which such warrant holder is the registered holder, at the redemption price equal to a function of the unexercised subscription amount of the warrant being redeemed. The redemption price shall be settled in cash. The 2014 Warrants are not listed on the Stock Exchange and are accounted for as derivative financial liabilities at fair value through profit or loss as the warrant instrument gives any warrant holder a choice over how such warrant can be settled.

As at 31 December 2015, the 2014 Warrants carrying exercise moneys of US\$40 million (2014: US\$20 million) remained outstanding.

The liability component of the Senior Notes 2014 is accounted for as financial liabilities, initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. The effective interest rates ranged from 15.70% to 18.14% (2014: 17.28% to 17.32%) per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 38. BORROWINGS *(continued)*

#### (c) Senior Notes *(continued)*

##### *Senior Notes 2014 (continued)*

The Senior Notes 2014 are secured and guaranteed by:

- (i) 1,280 million ordinary shares of the Company owned by Rong De;
- (ii) 100% equity interest of the Company's subsidiaries, Polyhero International Limited ("Polyhero") and Top Asset Development Limited ("Top Asset");
- (iii) corporate guarantees executed by Rong De, and the Company's subsidiaries, Polyhero, Top Asset and South Trend Holdings Limited;
- (iv) corporate guarantee executed by Sino Mark Investments Limited, which is a related party of the Company as it is beneficially owned and controlled by the director of the Company, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi);
- (v) 100% equity interest of the ex-subsiary of the Company, Ocean Leader Investments Limited ("Ocean Leader");
- (vi) corporate guarantee executed by the ex-subsiary of the Company, Ocean Leader; and
- (vii) guarantees executed by the Company's directors, Mr. Liao Tengjia, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) and Mr. Chu Muk Chi (alias Mr. Zhu La Yi).

**38. BORROWINGS** *(continued)***(c) Senior Notes** *(continued)**Senior Notes 2014 (continued)*

The movements of the Senior Notes 2014 with detachable warrants during the year are set out below:

	<b>Liability</b> HK\$'000	<b>Derivative</b> HK\$'000
At 1 January 2014	—	—
Issuance of the First Tranche Senior Notes 2014 and 2014 Warrants	709,091	65,988
Direct transaction costs	(36,178)	—
Interest expense	49,273	—
Interest paid	(22,884)	—
Net change in fair value recognised in profit or loss (note)	—	(7,300)
Exchange differences	539	—
At 31 December 2014	699,841	58,688
Issuance of the Second Tranche Senior Notes 2014 and 2014 Warrants	711,426	64,021
Direct transaction costs	(25,307)	—
Interest expense	224,759	—
Interest paid	(160,073)	—
Net change in fair value recognised in profit or loss (note)	—	(28,328)
Exchange differences	(788)	—
<b>At 31 December 2015</b>	<b>1,449,858</b>	<b>94,381</b>

Note:

The net change in fair value of the derivative financial liabilities was included in "other gains and losses" line item in the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 38. BORROWINGS *(continued)*

#### (d) Other borrowings, secured

Other borrowings are secured and guaranteed by:

- (i) the Group's properties for sale under development and properties held for sale totalled approximately HK\$1,275,883,000;
- (ii) the Group's investment properties with carrying amount of approximately HK\$538,745,000;
- (iii) the Group's financial assets at fair value through profit or loss of approximately HK\$23,896,000;
- (iv) the entire equity interest of the Company's subsidiaries, Guangdong Hailian Building Co., Limited and Guangzhou City Runqi Property Company Limited\*;
- (v) corporate guarantee executed by related companies — Guangdong Zhuguang, Guangzhou Zhuguang Property Development Company Limited\* ("Guangzhou Zhuguang Property"), Beijing Zhuguang Property, Guangzhou Zhuguang Investment Company Limited ("Guangzhou Zhuguang Investment") and an independent third party; and
- (vi) guarantee executed by the Company's director, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi).

Guangdong Zhuguang, Guangzhou Zhuguang Property, Beijing Zhuguang Property, and Guangzhou Zhuguang Investment are considered as related companies of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence in Guangdong Zhuguang, Guangzhou Zhuguang Property, Beijing Zhuguang Property, and Guangzhou Zhuguang Investment.

As at 31 December 2015, the effective interest rates on other borrowings ranged from 7.1% to 13.9% (2014: 7.1% to 13.8%) per annum.

#### (e) Other borrowings, unsecured

As at 31 December 2015, the effective interest rates on unsecured other borrowings ranged from 11.8% to 12.5% (2014: Nil).

\* English name is translated for identification purposes only.

### 38. BORROWINGS *(continued)*

- (f) The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies, other than the functional currency of the relevant group entity:

	2015 HK\$'000	2014 HK\$'000
HK\$	214,870	137,164
US\$	2,983,804	2,112,163
	<b>3,198,674</b>	2,249,327

### 39. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Within one year	898	228	833	209
In the second to fifth years, inclusive	1,416	303	1,369	294
	<b>2,314</b>	531	<b>2,202</b>	503
Less: Future finance charges	<b>(112)</b>	(28)	<b>N/A</b>	N/A
Present value of lease obligations	<b>2,202</b>	503	<b>2,202</b>	503
Less: Amount due for settlement within 12 months (shown under current liabilities)			<b>(833)</b>	(209)
Amount due for settlement after 12 months			<b>1,369</b>	294

It is the Group's policy to lease certain of its motor vehicles under finance leases. The lease term is 4 years. As at 31 December 2015, the effective borrowing rate ranged from 4.6% to 6.1% (2014: 6.1%) per annum. Interest rate is fixed at respective contract date and thus expose the Group to fair value interest rate risk. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has an option to purchase the underlying asset at a nominal price.

The Group's finance lease payables are secured by the lessors' title to the leased assets.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**40. FINANCIAL GUARANTEE CONTRACTS**

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
At 1 January	<b>100,297</b>	—
Fair value adjustment on business combination	—	100,489
Amortisation	<b>(646)</b>	(656)
Derecognised on disposal of subsidiaries (note 46(a))	<b>(94,554)</b>	—
Exchange differences	<b>(5,097)</b>	464
At 31 December	—	100,297

In 2014, a financial guarantee contract obligation of approximately HK\$100,489,000 arising on a business combination was recognised in relation to the guarantee provided by the Company's subsidiary, Guangzhou Yifa to a bank for a loan facility of RMB300,000,000 granted to its investee company, Guangdong Huashui. During the year ended 31 December 2015, the financial guarantee contract was derecognised upon the disposal of subsidiaries (note 46(a)).

**41. PROVISION**

	<b>Claims</b> HK\$'000	<b>Administrative penalties</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January	—	—	—
Provision for the year	25,855	113,656	139,511
Exchange differences	(1,024)	(4,504)	(5,528)
<b>At 31 December</b>	<b>24,831</b>	<b>109,152</b>	<b>133,983</b>

The provision for administrative penalties relates to non-compliance of laws or regulations in respect of the Group's presale of properties. The Group is taking necessary remedial action to rectify the non-compliance. Based on the legal advice obtained, the directors are of the opinion that the provision should be sufficient for the penalties resulting from the aforesaid non-compliance.

## 42. DEFERRED TAX (ASSETS)/LIABILITIES

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of investment properties HK\$'000	Fair value adjustments on business combinations HK\$'000	Undistributed profits of PRC subsidiaries HK\$'000	Temporary difference on LAT HK\$'000	Total deferred tax liabilities HK\$'000	Temporary difference on LAT HK\$'000	Total deferred tax assets HK\$'000
At 1 January 2014	91,503	337,598	5,049	4,014	438,164	—	—
Acquisition of subsidiaries	—	1,537,664	—	—	1,537,664	—	—
Charged/(Credited) to profit or loss for the year	6,153	(16,269)	—	—	(10,116)	(122,643)	(122,643)
Exchange differences	(599)	(117)	—	(14)	(730)	(541)	(541)
Reclassified to current tax liabilities upon disposal of subsidiaries	(51,566)	—	—	—	(51,566)	—	—
At 31 December 2014	45,491	1,858,876	5,049	4,000	1,913,416	(123,184)	(123,184)
Charged/(Credited) to profit or loss for the year	92,218	(127,356)	5,035	(3,047)	(33,150)	85,977	85,977
Exchange differences	(6,310)	(6,801)	(199)	(112)	(13,422)	3,785	3,785
Disposal of subsidiaries	—	(1,493,301)	—	—	(1,493,301)	—	—
<b>At 31 December 2015</b>	<b>131,399</b>	<b>231,418</b>	<b>9,885</b>	<b>841</b>	<b>373,543</b>	<b>(33,422)</b>	<b>(33,422)</b>

As at 31 December 2015, the Group had unused tax losses of approximately HK\$339,660,000 (2014: HK\$207,651,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The above unused tax losses will expire after five years from the year of assessment they relate to.

As at 31 December 2015, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK\$37,156,000 (2014: Nil). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 43. SHARE CAPITAL

	Number of shares		Amount	
	2015	2014	2015 HK\$'000	2014 HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.10 each	<b>6,000,000,000</b>	6,000,000,000	<b>600,000</b>	600,000
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.10 each				
At 1 January	<b>4,818,312,935</b>	4,224,118,458	<b>481,831</b>	422,412
Issue of shares upon exercise of warrants	—	13,749,944	—	1,375
Issue of shares	—	580,444,533	—	58,044
At 31 December	<b>4,818,312,935</b>	4,818,312,935	<b>481,831</b>	481,831

## Capital management

During 2015, the Group's strategy for managing capital was unchanged from 2014. The Group actively and regularly reviews and manages its capital structure to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances, and to ensure it is in compliance with any loan covenants.

The Group is subject to financial covenants under certain loan agreements with a bank:

- (a) The Group has to maintain its consolidated net borrowings to consolidated net worth ratio not be in excess of 1.5:1. Consolidated net borrowings are calculated as the borrowings disclosed in notes 38 and 39 less all the cash and bank deposits of the Group; whereas consolidated net worth consists of issued capital, share premium, contributed surplus and accumulated losses/retained profits attributable to owners of the Company. During the year, the Group complied with the aforesaid requirement.

In previous years, in respect of the aforesaid bank loans, the Group had to maintain its consolidated net borrowings to consolidated tangible net worth ratio not be in excess of 1.5:1. Consolidated net borrowings were calculated as the borrowings disclosed in notes 38 and 39 less all the cash and bank deposits of the Group; whereas consolidated tangible net worth consists of issued capital, share premium, contributed surplus and accumulated losses/retained profits attributable to owners of the Company less intangible assets and goodwill as disclosed in the consolidated financial statements.

- (b) The Group is also subject to the maintenance of a specified ratio of its consolidated current assets to current liabilities and a specified requirement on its consolidated tangible net worth. During the year, the Group complied with the aforesaid requirement.

## 43. SHARE CAPITAL *(continued)*

### Capital management *(continued)*

In addition, the Group is subject to financial covenants under Senior Notes 2013 and Senior Notes 2014 with certain investors. The Group has to maintain its consolidated net debt to shareholders' equity ratio not be in excess of 1.5:1. Consolidated net debt is calculated as the borrowings disclosed in notes 38 and 39 minus all the cash and cash deposits of the Group; whereas equity attributable to owners of the Company comprises issued capital and reserves as disclosed in the consolidated financial statements. The Group is also subject to a specific requirement on its net asset value. During the year, the Group complied with the aforesaid requirements.

The directors review the capital structure on an ongoing basis. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or redemption of existing debts.

Apart from the above, another externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars regularly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2015, 35.1% (2014: 35.9%) of the shares were in public hands.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

## (a) Statement of financial position of the Company

	Note	As at 31 December	
		2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		825	1,522
Investments in subsidiaries		579,805	579,805
		<b>580,630</b>	581,327
<b>Current assets</b>			
Prepayments, deposits and other receivables		158,923	37,051
Amounts due from subsidiaries		6,788,725	4,431,137
Amount due from the ultimate holding company		20,014	—
Bank balances		52,012	23,489
		<b>7,019,674</b>	4,491,677
<b>Current liabilities</b>			
Accruals and other payables		7,247	8,498
Amount due to the ultimate holding company		—	71,078
Amounts due to subsidiaries		674,735	86,502
Derivative financial liabilities		139,878	112,961
Borrowings		1,533,946	—
		<b>2,355,806</b>	279,039
<b>Net current assets</b>		<b>4,663,868</b>	4,212,638
<b>Total assets less current liabilities</b>		<b>5,244,498</b>	4,793,965
<b>Non-current liabilities</b>			
Borrowings		1,449,858	2,112,163
<b>NET ASSETS</b>		<b>3,794,640</b>	2,681,802
<b>Capital and reserves</b>			
Equity attributable to owners of the Company			
Share capital	43	481,831	481,831
Reserves	44(b)	3,312,809	2,199,971
<b>TOTAL EQUITY</b>		<b>3,794,640</b>	2,681,802

Approved by the Board of Directors on 26 April 2016 and are signed on its behalf by:

**Chu Hing Tsung**  
Director

**Ye Lixia**  
Director

**44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY** *(continued)***(b) Reserve movement of the Company**

	<b>Share premium</b> HK\$'000	<b>Contributed surplus</b> HK\$'000	<b>Warrant reserve</b> HK\$'000	<b>Accumulated losses</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2014	2,857,938	717,209	104,799	(730,517)	2,949,429
Acquisition of subsidiaries	(284,580)	—	—	—	(284,580)
Issue of shares upon exercise of warrants	41,154	—	(11,329)	—	29,825
Issue of shares	928,712	—	—	—	928,712
Transfer of warrants	—	—	(93,470)	93,470	—
Loss for the year	—	—	—	(1,423,415)	(1,423,415)
At 31 December 2014 and 1 January 2015	3,543,224	717,209	—	(2,060,462)	2,199,971
Profit for the year	—	—	—	1,112,838	1,112,838
<b>At 31 December 2015</b>	<b>3,543,224</b>	<b>717,209</b>	<b>—</b>	<b>(947,624)</b>	<b>3,312,809</b>

As at 31 December 2015, the contributed surplus of the Company includes (i) approximately HK\$477,805,000 (2014: HK\$477,805,000) that arose when the Company issued shares in exchange for the shares of companies being acquired, and represented the difference between the nominal value of the Company's shares issued and the value of the shares acquired; and (ii) approximately HK\$239,404,000 (2014: HK\$239,404,000) which was credited from the share premium cancellation. The application of the contributed surplus is governed by the Companies Act of Bermuda.

**45. RESERVES****(a) Group**

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

**(b) Nature and purpose of reserves***(i) Share premium*

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. The application of the share premium is governed by the Companies Act of Bermuda.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 45. RESERVES *(continued)*

#### (b) Nature and purpose of reserves *(continued)*

##### (ii) *Reserve on merger accounting*

The reserve on merger accounting was set up upon the share swap for the Company to acquire its subsidiaries.

##### (iii) *Exchange fluctuation reserve*

The exchange fluctuation 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 4(c) to the consolidated financial statements.

##### (iv) *Contributed surplus*

The Company's contributed surplus was explained in note 44(b) above. The application of the contributed surplus is governed by the Companies Act of Bermuda.

##### (v) *Statutory reserve*

In accordance with the articles of association of certain subsidiaries established in the PRC, these subsidiaries are required to transfer 10% of the profit after tax to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners.

##### (vi) *Investment revaluation reserve*

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(k)(iii) to the consolidated financial statements.

### 46. GAIN ON DISPOSAL OF SUBSIDIARIES

#### (a) 2015

In the prior year, the Group held 100% interest in Joygain and accounted for Joygain, together with its subsidiaries, including Guangzhou Yifa as subsidiaries. Joygain together with its subsidiaries are principally engaged in property development in the PRC.

On 31 December 2015, the Group disposed of 100% interest in Guangzhou Yifa at a cash consideration of RMB280 million (equivalent to approximately HK\$334,216,000).

## 46. GAIN ON DISPOSAL OF SUBSIDIARIES *(continued)*

### (a) 2015 *(continued)*

In addition, by allotting and issuing new ordinary shares of Joygain to an independent purchaser at the subscription price of RMB1,920 million (equivalent to approximately HK\$2,291,770,000), the Group also completed the disposal of 95.7% interest in Joygain on 31 December 2015. The entire amount of such proceed was applied towards the repayment of loan owed by Joygain to the Group.

Net assets at the date of disposal are as follows:

	HK\$'000
Property, plant and equipment	5
Goodwill	59,358
Available-for-sale financial assets	18,249
Properties for sale under development	2,749,792
Prepayment, deposits and other receivables	1,179,263
Bank and cash balances	113,580
Accounts payable	(32,605)
Accruals and other payables	(10,588)
Amount due to the Group	(234,516)
Current tax liabilities	(6,978)
Borrowings	(1,551,719)
Financial guarantee contracts	(94,554)
Deferred tax liabilities	(1,493,301)
Net assets disposed of	695,986
Cumulative gains on available-for-sale financial assets reclassified from equity	(18,249)
Release of exchange fluctuation reserve	(7,543)
Non-controlling interests	145
Fair value of investment retained (note 25)	—
Direct expenses in relation to the disposals	1,087
Gain on disposal of subsidiaries	1,954,560
Total consideration	2,625,986
Consideration satisfied by	
Cash	2,625,986
Net cash inflow arising on disposal:	
Cash consideration received	2,625,986
Cash and cash equivalents disposed of	(113,580)
	2,512,406



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**46. GAIN ON DISPOSAL OF SUBSIDIARIES** *(continued)***(b) 2014**

On 30 June 2014, the Group completed the disposal of the entire issued share capital of two subsidiaries, Rainbow High Holdings Limited and Zhang Tong Holdings Limited. Rainbow High Holdings Limited and Zhang Tong Holdings Limited together with their respective subsidiary, Big Wisdom Limited and Light-Up Investments Limited, were engaged in the property investment and property rental activities.

Net assets at the date of disposal are as follows:

	HK\$'000
Investment properties	650,707
Amount due by the Group	86,065
Bank and cash balances	20
Accruals and other payables	(36,024)
Current tax liabilities	(10,585)
	<hr/>
Net assets disposed of	690,183
Release of exchange fluctuation reserve	(26,176)
Gain on disposal of subsidiaries	198,607
	<hr/>
Total consideration	862,614
	<hr/>
Consideration satisfied by	
Cash	696,549
Deposit received in the prior year	80,000
Setting off against amounts due by the Group	86,065
	<hr/>
	862,614
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration received	696,549
Cash and cash equivalents disposed of	(20)
	<hr/>
	696,529
	<hr/>

## 47. ACQUISITION OF SUBSIDIARIES

(a) (i) Acquisition of Joygain in 2014

On 31 March 2014, the Group acquired 50% issued capital of Joygain at a cash consideration of approximately HK\$151,599,000 and the issuance of 558,000,000 new ordinary shares of HK\$0.10 (“the Consideration Shares”) by the Company (the “Joygain Acquisition”).

Joygain is an investment holding company, together with its wholly-owned subsidiaries, Ocean Leader and Guangzhou Yifa (collectively referred to as “Joygain Group”) are principally engaged in property development in the PRC.

The directors are of the opinion that the exercisable call options held by the Group to acquire the remaining 50% interest of Joygain are substantive potential voting rights. If exercised, they give the Group 100% voting rights over Joygain, which give the Group power to direct the relevant activities of Joygain Group. Accordingly, Joygain Group is consolidated from the acquisition date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 47. ACQUISITION OF SUBSIDIARIES (continued)

## (a) (i) Acquisition of Joygain in 2014 (continued)

The fair value of the identifiable assets and liabilities of Joygain Group acquired as at the date of acquisition is as follows:

	Note	HK\$'000
Net assets acquired:		
Available-for-sale financial assets		—
Properties for sale under development		2,673,214
Prepayments, deposits and other receivables		1,919
Bank balances		35,983
Accounts payable		(50,438)
Accruals and other payables		(141,822)
Financial guarantee contracts		(100,489)
Current tax liabilities		(30,284)
Deferred tax liabilities		(1,493,301)
		<u>894,782</u>
Non-controlling interests		(447,391)
Goodwill		424,915
		<u>872,306</u>
Satisfied by:		
Cash		151,599
Issue of Consideration Shares	(i)	1,551,240
		<u>1,702,839</u>
Total consideration transferred		1,702,839
Impairment loss made in 2013		(830,533)
		<u>872,306</u>
Net cash inflow arising on acquisition:		
Total cash consideration paid		(151,599)
Cash consideration paid in 2013		150,000
Cash and cash equivalents acquired		35,983
		<u>34,384</u>

## 47. ACQUISITION OF SUBSIDIARIES *(continued)*

### (a) (i) Acquisition of Joygain in 2014 *(continued)*

Note:

- (i) In 2013, prepayments for the Joygain Acquisition were provisionally recognised for the fair value of the Consideration Shares issued on 31 December 2013 by reference to the closing market price of the Company's ordinary shares on the issue date. On the acquisition date, the fair value of the Consideration Shares issued was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date. The difference between the fair value of the Consideration Shares on the issue date and the Consideration Shares' acquisition date fair value of approximately HK\$284,580,000 was recognised as a reduction in the share premium and a reduction in the carrying value of the prepayments which now become part of cost of the investment in Joygain.

The directors are of the opinion that the goodwill is attributable to the anticipated future operating synergies from the business combination and opportunities for the Group to bring its expertise to access to the region of the PRC that are provided by Joygain Group.

The non-controlling interests recognised at the acquisition date were measured by the non-controlling shareholder's proportionate share of the net fair value of the identifiable assets and liabilities of Joygain Group at the acquisition date.

Acquisition-related costs amounting to approximately HK\$207,000 have been excluded from the consideration transferred and have been recognised as expenses in the year, within the "administrative expenses" line item in the consolidated statement of profit or loss.

### (a) (ii) Purchase of non-controlling interest in 2014

On 23 December 2014, the exercise of the call option, involving acquisition of the remaining 50% interest of Joygain was completed. Joygain was accounted for as the Company's 100% indirect subsidiary.

The effect on the equity attributable to the owners of the Company is as follows:

	HK\$'000
Issue of 580,444,533 new ordinary shares of the Company, at fair value	986,756
Consideration payable	252,494
Derecognition of the call options (classified as financial assets at fair value through profit or loss)	774
Direct attributable incremental transaction costs	875
Total consideration	1,240,899
Non-controlling interests of Joygain	(409,298)
Loss on purchase of non-controlling interests recognised directly in equity	831,601

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**47. ACQUISITION OF SUBSIDIARIES** *(continued)*

- (b) On 25 August 2014, the Group acquired the entire interest of Xianghe County Yijing Property Development Company Limited\* (“Xianghe Yijing”). The consideration of approximately HK\$208,474,000 was satisfied by cash. Xianghe Yijing is principally engaged in property development in the PRC. Xianghe Yijing was acquired to enhance the Group’s property development operations.

The fair value of the identifiable assets and liabilities of Xianghe Yijing acquired as at the date of acquisition is as follows:

	HK\$'000
<hr/>	
Net assets acquired:	
Property, plant and equipment	157
Properties for sale under development	242,620
Prepayments, deposits and other receivables	6,286
Bank and cash balances	209
Accruals and other payables	(12,828)
Deferred tax liabilities	(44,363)
	<hr/>
	192,081
Goodwill	16,393
	<hr/>
Satisfied by cash	208,474
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	(208,474)
Cash and cash equivalents acquired	209
	<hr/>
	(208,265)
	<hr/>

The directors are of the opinion that the goodwill arising on the acquisition of Xianghe Yijing is attributable to the anticipated future operating synergies from the business combination.

Acquisition-related costs amounting to approximately HK\$112,000 have been excluded from the consideration transferred and have been recognised as expenses in the year, within the “administrative expenses” line item in the consolidated statement of profit or loss.

\* English name is translated for identification purposes only.

## 48. MAJOR NON-CASH TRANSACTIONS

Additions to property, plant and equipment during the year of approximately HK\$2,500,000 (2014: Nil) were financed by a finance lease.

## 49. CONTINGENT LIABILITIES

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Guarantees given to banks for mortgage facilities utilised by purchasers	<b>1,124,355</b>	1,019,554

Pursuant to the terms of the guarantees, if there are any defaults on the mortgages, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks. The Group is then entitled to take over the legal title and possession of the related properties. The guarantees will be released upon issuance of the purchasers' property ownership certificates and completion of the relevant registration of the mortgaged properties.

At the reporting date, the directors do not consider it probable that a claim will be made against the Group under the above guarantees.

The fair value of the guarantees at date of inception is not material and is not recognised in the consolidated financial statements.

- (b)

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Guarantee given to a bank in respect of bank facilities granted to Guangdong Huashui	—	380,292

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 49. CONTINGENT LIABILITIES *(continued)*

- (c) As at 31 December 2015, the Group has provided guarantee and pledged certain of its properties for sale under development with carrying amount of approximately HK\$302,682,000 (2014: HK\$247,117,000) to a financial institution regarding a loan and the interest thereon totalling RMB112,500,000 (equivalent to approximately HK\$134,283,000) (2014: RMB125,000,000 (equivalent to approximately HK\$158,455,000)) granted to a previous owner of the Group's subsidiary acquired in 2014, Xianghe Yijing. The guarantee and the charged assets will be released, in accordance with the terms of the guarantee contract, up to a maximum of two years after the full repayment of the loan and interest thereon.

As at 31 December 2015, the directors do not consider it probable that a claim will be made against the Group under the above guarantee. The directors believe that all the outstanding amounts will be settled by the previous owner of Xianghe Yijing. In addition, the Group also owed approximately HK\$119,363,000 (2014: HK\$126,764,000) to the previous owner of Xianghe Yijing as at 31 December 2015. If there were any default payment of loan by the previous owner of Xianghe Yijing, the Group would be responsible to repay the outstanding loan principal together with accrued interest and penalty owed by the previous owner of Xianghe Yijing to the financial institution. The directors indicated that, in the event of default payment by the previous owner of Xianghe Yijing, the Group would then withhold the repayment of its loan due to previous owner of Xianghe Yijing.

The fair value of the guarantee at date of inception is not material and is not recognised in the consolidated financial statements.

### 50. LEASE COMMITMENTS

#### (a) The Group as lessee

As at 31 December 2015, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Within one year	<b>6,215</b>	11,917
In the second to fifth years inclusive	<b>103</b>	10,583
After five years	<b>49</b>	80
	<b>6,367</b>	22,580

Operating lease payments represent rentals payable by the Group for Hong Kong and PRC premises.

## 50. LEASE COMMITMENTS *(continued)*

### (b) The Group as lessor

The Group leases out all its investment properties under operating leases. The leases typically run for a period of two to nine years (2014: seven years). None of the leases includes contingent rentals.

As at 31 December 2015, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Within one year	<b>92,015</b>	54,809
In the second to fifth years inclusive	<b>232,110</b>	160,022
Over five years	<b>13,163</b>	—
	<b>337,288</b>	214,831

## 51. CAPITAL AND OTHER COMMITMENTS

### (a) Capital commitments

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Property, plant and equipment	<b>3,629</b>	6,510

### (b) Property development commitments

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Property development commitments contracted for but not yet incurred	<b>1,006,388</b>	2,184,036



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 52. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with its related parties:

**(a) Sales of properties to and decoration contracts in progress with Mr. Huang Jiajue, the Company's executive director**

As at 31 December 2014, certain properties of the Group were pre-sold to Mr. Huang Jiajue and down payments of approximately HK\$3,042,000 were received. During the year ended 31 December 2015, the properties were delivered and approximately HK\$9,021,000 were recognised as sales of properties.

In addition, decoration income of approximately HK\$483,000 (2014: Nil) associated with decoration contracts with Mr. Huang Jiajue was also recognised during the year ended 31 December 2015. As at 31 December 2015, included in the gross amount due to customers for contract work was an amount of approximately HK\$256,000 in relation to decoration contracts with Mr. Huang Jiajue.

**(b) Purchase of properties from Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi), the Company's executive director**

The subject properties, under a property development project, were jointly developed by Guangzhou Zhuguang Investment, a related party of the Group and an independent third party. Guangzhou Zhuguang Investment is entitled to 75% of the distributable interests under this property development project which is legally owed by a project company (the "Project Company") and the income derived therefrom.

Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi), acquired the rights to 50 properties from Guangzhou Zhuguang Investment. He is entitled to request for transfer of properties to him, or the sale proceeds of the properties if he requests the Project Company to sell the properties for him. Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) in turn agreed to sell these 50 properties to the Company's subsidiaries at a total consideration of RMB1,110,281,000 (equivalent to approximately HK\$1,379,946,000).

In 2015, the Group only completed the aforesaid purchase to the extent of 42 properties at a consideration of approximately HK\$981,234,000. As at 31 December 2015, included in the Group's prepayments is an amount of approximately HK\$147,663,000 made to Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) for interior decoration work to be carried out on these 42 properties and the acquisition of the remaining 8 properties.

**(c) Unconditional irrevocable guarantee provided by Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) to the Group**

In relation to approximately HK\$1,369,183,000 advances made to a construction contractor, on 31 March 2015, Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) executed an unconditional irrevocable guarantee to the Group to indemnify the Group from any loss on the aforesaid advances. During the year ended 31 December 2015, the guarantee was released upon the said advances were fully repaid by the construction contractor to the Group.

## 52. RELATED PARTY TRANSACTIONS *(continued)*

### (d) Key management personnel compensation

The key management personnel of the Group comprises all directors of the Company. The emoluments of directors during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Short-term benefits	15,453	9,480
Post-employment benefits	106	—
	<b>15,559</b>	9,480

As at 31 December 2015, included in accrued charges was an amount of approximately RMB2,575,000 (2014: RMB1,560,000) being accrued directors' emoluments which are unsecured, interest-free and settled in cash.

### (e) Transactions with other related parties

- (i) On 1 January 2014, the Group, as the intended purchaser, and Guangdong Zhuguang, as the intended vendor, entered into a memorandum of understanding in relation to the proposed acquisition of 98% equity interest of Xinjiang Zhuguang Scenic Property Development Company Limited\*. Pursuant to the memorandum of understanding, RMB300 million (equivalent to approximately HK\$380,292,000) refundable deposit was made to Guangdong Zhuguang. Guangdong Zhuguang is considered as a related party of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence over Guangdong Zhuguang.

Pursuant to a supplemental agreement dated 20 June 2014 entered into by the parties, in the event that no definitive agreement can be reached, the deposit should be refunded to Group within 3 business days from the termination of this proposed acquisition. Failure to do so, interest will be charged on the outstanding balance of the deposit not being refunded at 15% per annum and a default compensation will be charged at a daily rate of 0.4% or a fixed rate of 40% on the outstanding balance of the deposit not being refunded; in any event, the compensation should not exceed 40% on the outstanding balance of the deposit.

As no definitive agreement could be entered into, the Group terminated the proposed acquisition in August 2014. The deposit was fully refunded to the Group in March 2015. Details of the interest income and compensation income from Guangdong Zhuguang are as follows:

Name of related party	Nature of transactions	2015 HK\$'000	2014 HK\$'000
Guangdong Zhuguang	Interest income	11,033	56,794
	Compensation income	—	151,450

\* English name is translated for identification purposes only.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

**52. RELATED PARTY TRANSACTIONS** (continued)**(e) Transactions with other related parties** (continued)

- (ii) On 14 March 2014, the Group, as the purchaser and Sanya Zhuguang Investment Company Limited\* (“Sanya Zhuguang”), as the vendor, entered into a sale and purchase agreement in relation to the proposed acquisition of 100% equity interest of Sanya Lantian Investment Company Limited\* (“Sanya Lantian”) at a consideration of RMB200,000,000. RMB200,000,000 (equivalent to approximately HK\$253,528,000) refundable deposit was paid by the Group in relation to this proposed acquisition. Sanya Zhuguang is a wholly-owned subsidiary of Guangdong Zhuguang. Sanya Zhuguang is considered as a related party of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence in Guangdong Zhuguang and its subsidiary, Sanya Zhuguang.

Pursuant to an agreement dated 5 August 2014 further entered into by the parties, in the event that the Group is not satisfied with the due diligence review results, the deposit should be refunded to Group within 3 business days from the termination of this proposed acquisition. Failure to do so, interest will be charged on the outstanding balance of the deposit not being refunded at 15% per annum and a default compensation will be charged at a daily rate of 0.4% or a fixed rate of 40% on the outstanding balance of the deposit not being refunded; in any event, the compensation should not exceed 40% on the outstanding balance of the deposit.

Due to the non-satisfactory results of the due diligence review against Sanya Lantian, the proposed acquisition had fallen through. The Group terminated the proposed acquisition in September 2014. The deposit was fully refunded to the Group in March 2015. Details of the interest income and compensation income from Sanya Zhuguang are as follows:

Name of related party	Nature of transactions	2015 HK\$'000	2014 HK\$'000
Sanya Zhuguang	Interest income	<b>7,367</b>	30,866
	Compensation income	—	100,966

- (iii) During the year, the Group’s principal place of business in the PRC was provided by Guangdong Zhuguang for which no charge was made.

\* English name is translated for identification purposes only.

## 52. RELATED PARTY TRANSACTIONS *(continued)*

### (f) Balances with other related parties

Name of related party	Nature of balances	2015 HK\$'000	2014 HK\$'000
Guangdong Zhuguang	Other payables ^~	48,607	3,907
Guangzhou Zhuguang Property	Other payables ~	1,733	1,852
Guangzhou Zhujiang Bay Property Company Limited * ("Guangzhou Zhujiang Bay Property")	Other payables ~	1,510	1,639

^ During the year, the maximum current account balance due from Guangdong Zhuguang amounted to approximately HK\$375,168,000.

~ The above amounts due are interest-free, unsecured and have no fixed terms of repayment.

\* English name is translated for identification purposes only.

Guangdong Zhuguang, Guangzhou Zhuguang Property and Guangzhou Zhujiang Bay Property are considered as related parties of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence in Guangdong Zhuguang, Guangzhou Zhuguang Property and Guangzhou Zhujiang Bay Property.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 53. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation or registration/ operations	Issued and paid up capital	Percentage of ownership interest/ voting power		Principal activities
			Direct	Indirect	
Nam Fong International Group Limited	BVI/Hong Kong	Ordinary US\$10,000	100%	—	Investment holding
Zhuguang Group Limited	BVI/Hong Kong	Ordinary US\$1	100%	—	Investment holding
South Trend Holdings Limited	BVI/Hong Kong	Ordinary US\$1	100%	—	Investment holding, project and construction management services
Zhuguang Group (Hong Kong) Limited	Hong Kong	Ordinary HK\$1	—	100%	Investment holding
Guangzhou City Runfa Property Company Limited **	PRC	RMB132,880,000	—	100%	Property development
Talent Wide Holdings Limited	BVI/Hong Kong	Ordinary US\$1	—	100%	Investment holding
Gains Wide Holdings Limited	BVI/Hong Kong	Ordinary US\$1	—	100%	Investment holding
Graceful Link Limited	Hong Kong/PRC	Ordinary HK\$2	—	100%	Property investment
Diamond Crown Limited	Hong Kong/PRC	Ordinary HK\$2	—	100%	Property investment
Speedy Full Limited	Hong Kong/PRC	Ordinary HK\$2	—	100%	Property investment
Cheng Chang Holdings Limited	BVI/Hong Kong	Ordinary US\$55	—	100%	Investment holding
Fully Wise Investment Limited	Hong Kong	Ordinary HK\$1,000,000	—	100%	Investment holding

### 53. PRINCIPAL SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries at 31 December 2015 are as follows *(continued)*:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and paid up capital	Percentage of ownership interest/ voting power		Principal activities
			Direct	Indirect	
Guangdong Hailian Building Co., Limited ^	PRC	US\$99,000,000	—	80%	Property development and investment
Profaith International Holdings Limited	BVI/Hong Kong	Ordinary US\$1,000	—	100%	Investment holding
Ever Crown Corporation Limited	Hong Kong	Ordinary HK\$1	—	100%	Investment holding
Guangzhou Dong Gang He Zhong Property Company Limited **	PRC	RMB100,000,000	—	100%	Property development
Ai De Investments Limited	BVI/Hong Kong	Ordinary US\$1	—	100%	Investment holding
Top Perfect Development Limited	Hong Kong	Ordinary HK\$1	—	100%	Investment holding
Guangzhou Yu Ying Property Company Limited ~*	PRC	RMB160,000,000	—	70% (ownership interest) 60% (voting power)	Property development and investment
East Orient Investment Limited	Hong Kong	Ordinary HK\$1	—	100%	Investment holding
Guangzhou City Runqi Property Company Limited **	PRC	RMB99,652,457	—	100%	Property development
Feng Shun Jia Rong Trading Company Limited ^*	PRC	RMB1,000,000	—	Note	Investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 53. PRINCIPAL SUBSIDIARIES (continued)

Particulars of the principal subsidiaries at 31 December 2015 are as follows (continued):

Name of subsidiary	Place of incorporation or registration/ operations	Issued and paid up capital	Percentage of ownership interest/ voting power		Principal activities
			Direct	Indirect	
Guangdong Xilong Property Development Company Limited <sup>△*</sup>	PRC	RMB120,000,000	—	Note	Property development and decoration
Vanco Investment Limited	Hong Kong	Ordinary HK\$1	—	100%	Investment holding
Xianghe County Yijing Property Development Company Limited <sup>#*</sup>	PRC	RMB97,977,700	—	100%	Property development
Top Asset Development Limited	Hong Kong	Ordinary HK\$1	—	100%	Investment holding
Guangzhou Yujie Trading Company Limited <sup>#*</sup>	PRC	RMB500,000	—	100%	Property trading and decoration
Guangzhou Chuanggui Trading Company Limited <sup>△*</sup>	PRC	RMB500,000	—	100%	Property trading and decoration
Guangzhou Hongzhao Trading Company Limited <sup>△*</sup>	PRC	RMB500,000	—	100%	Property trading and decoration

# Registered as a wholly-owned foreign enterprise under the PRC law.

^ Registered as a sino-foreign contractual cooperative enterprise under the PRC law.

~ Registered as a sino-foreign equity joint venture enterprise under the PRC law.

△ Registered as a company with limited liability under the PRC law.

\* English translation of the name is for identification purposes only.

Note:

The directors are of the opinion that, notwithstanding the lack of equity ownership, in substance, based on the Income Right SP Agreement, the Group has control over Jia Rong and Guangdong Xilong. Accordingly, Jia Rong and Guangdong Xilong are accounted for as the Company's 100% indirect subsidiaries.

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

### 53. PRINCIPAL SUBSIDIARIES *(continued)*

The following table shows information on subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Guangdong Hailian Building Co., Limited		Guangzhou Yu Ying Property Company Limited	
	2015 PRC	2014 PRC	2015 PRC	2014 PRC
<b>Principal place of business</b>				
% of ownership interests/voting rights held by NCI	<b>20%</b>	20%	<b>30%/40%</b>	30%/40%
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>At 31 December:</b>				
Non-current assets	<b>592,018</b>	132,283	<b>34,556</b>	490
Current assets	<b>6,266,921</b>	6,587,614	<b>3,855,702</b>	4,083,803
Non-current liabilities	<b>(2,496,172)</b>	(1,518,224)	<b>(684,236)</b>	(85,899)
Current liabilities	<b>(3,205,316)</b>	(3,508,532)	<b>(2,792,676)</b>	(3,599,716)
Net assets	<b>1,157,451</b>	1,693,141	<b>413,346</b>	398,678
Accumulated NCI	<b>231,491</b>	338,629	<b>124,004</b>	119,604
<b>Year ended 31 December:</b>				
Revenue	<b>89,008</b>	2,309,535	<b>894,196</b>	555,694
(Loss)/Profit	<b>(454,861)</b>	290,103	<b>27,251</b>	(12,837)
Total comprehensive income	<b>(535,690)</b>	286,682	<b>14,668</b>	(13,237)
(Loss)/Profit allocated to NCI	<b>(90,972)</b>	58,021	<b>8,175</b>	(3,851)
Net cash (used in)/generated from operating activities	<b>(373,207)</b>	(905,989)	<b>663,667</b>	(746,967)
Net cash (used in)/generated from investing activities	<b>(27,802)</b>	(3,979)	<b>1,638</b>	(303)
Net cash generated from/(used in) financing activities	<b>637,595</b>	906,552	<b>(79,883)</b>	436,528



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 54. EVENTS AFTER THE REPORTING PERIOD

- (a) Trading in the shares of the Company was suspended on 1 April 2016 due to failure to publish the Company's preliminary results for the year ended 31 December 2015 in accordance with Rule 13.49(1) of the Rules Governing the Listing of Securities on the Stock Exchange. As such, the Group breached the terms of the agreements of certain bank loans (with total carrying amount of approximately HK\$214,870,000 as at 31 December 2015), the Senior Notes 2013 and Senior Notes 2014, which are primarily related to the suspension and the continued suspension until the publication of the preliminary annual results. As a result, the said bank loans and Senior Notes 2013 and Senior Notes 2014 are subject to an immediate repayment option by the banker and note holders.

Up to the date of the issue of these consolidated financial statements, the Group obtained consent from the banker and note holders that such suspension and the continued suspension shall not be considered as a breach of the terms of the agreements with the banker and note holders. The directors believe that the Group will have sufficient working capital to ensure that there is no threat to the continuing operations of the Group.

- (b) Pursuant to an entrusted construction and management service agreement dated 15 April 2015, the Group agreed to manage and fund Guangzhou Zhuguang Investment's property development project located at the former Guangzhou south railway station, Huangsha Avenue, Li Wan District, Guangzhou City, the PRC. In return, the Group will be entitled to certain income from the above management services and funding. Up to 31 March 2016, RMB1 billion (equivalent to approximately HK\$1,193,630,000) was made by the Group to fulfil its duty under the abovementioned agreement to Guangzhou Zhuguang Investment.
- (c) Pursuant to an entrusted construction and management service agreement dated 10 March 2016, the Group agreed to manage and fund Guangzhou Zhuguang Property's property development project located in Tianhe District, Guangzhou City, the PRC. In return, the Group will be entitled to certain income from the above management services and funding. Up to 31 March 2015, RMB50 million (equivalent to approximately HK\$59,682,000) was made by the Group to fulfil its duty under the abovementioned agreement to Guangzhou Zhuguang Property.
- (d) On 11 March 2016, the Group, as the intended purchaser, and Shenzhen Zhuguang Property Company Limited\* ("Shenzhen Zhuguang Property"), as the intended vendor, entered into a memorandum of understanding (the "MOU") in relation to proposed acquisition of 100% equity interest of Shenzhen Zhuguang Scenic Property Company Limited\*.

Pursuant to the MOU, RMB260 million refundable deposit was made to Shenzhen Zhuguang Property. In the event that a sale and purchase agreement in relation to the proposed acquisition is not entered into by the Group, Shenzhen Zhuguang Property shall, within five business days upon receipt written notice, refund the RMB260 million deposit to the Group.

Up to the date of these consolidated financial statements, no legally binding agreement in relation to the proposed acquisition has been entered into by the Group (save for certain provisions relating to the deposit of RMB260 million, confidentiality, exclusivity and governing law under the MOU).

\* English name is translated for identification purposes only.

## 54. EVENTS AFTER THE REPORTING PERIOD *(continued)*

- (e) Pursuant to an entrusted construction and management service agreement dated 14 March 2016, the Group agreed to manage and fund a property development project located in Conghua District, Guangzhou City, the PRC held by Guangzhou Conghua Zhuguang Investment Company Limited\* (“Conghua Zhuguang Investment”). In return, the Group will be entitled to certain income from the above management services and funding. Up to 31 March 2016, RMB100 million (equivalent to approximately HK\$119,363,000) was made by the Group to fulfil its duty under the abovementioned agreement to Conghua Zhuguang Investment.

Guangzhou Zhuguang Investment, Guangzhou Zhuguang Property, Shenzhen Zhuguang Property and Conghua Zhuguang Investment are wholly-owned subsidiaries of Guangdong Zhuguang. Hence, they are considered as related parties of the Group as the ultimate controlling party of the Company, Mr. Liao Tengjia, has significant influence in Guangdong Zhuguang, Guangzhou Zhuguang Investment, Guangzhou Zhuguang Property, Shenzhen Zhuguang Property and Conghua Zhuguang Investment.

## 55. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year’s presentation. The new presentation was considered to provide a more appropriate presentation to the consolidated statement of cash flows.

\* English name is translated for identification purposes only.

## FIVE-YEAR FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group for the last five years is as follows:

	Year ended 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>RESULTS</b>					
Revenue	<b>3,293,318</b>	2,919,522	280,880	571,167	57,899
Profit/(Loss) before tax	<b>1,282,565</b>	994,841	(963,830)	234,846	18,225
Income tax	<b>(774,091)</b>	(798,888)	(3,815)	(56,604)	(10,267)
Profit/(Loss) for the year	<b>508,474</b>	195,953	(967,645)	178,242	7,958
Attributable to:					
Owners of the Company	<b>591,409</b>	180,208	(938,643)	182,349	16,659
Non-controlling interests	<b>(82,935)</b>	15,745	(29,002)	(4,107)	(8,701)
	<b>508,474</b>	195,953	(967,645)	178,242	7,958
<b>As at 31 December</b>					
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	<b>17,428,582</b>	20,235,831	11,539,112	6,104,047	3,788,767
Total liabilities	<b>(13,262,372)</b>	(16,390,607)	(7,806,875)	(3,499,062)	(2,535,740)
Net assets	<b>4,166,210</b>	3,845,224	3,732,237	2,604,985	1,253,027
Equity attributable to:					
Owners of the Company	<b>3,810,715</b>	3,386,998	3,327,370	2,281,573	1,094,713
Non-controlling interests	<b>355,495</b>	458,226	404,867	323,412	158,314
Total equity	<b>4,166,210</b>	3,845,224	3,732,237	2,604,985	1,253,027

## PARTICULARS OF PROPERTIES

Investment properties		Attributable beneficial interest to the Group	Total Saleable GFA m <sup>2</sup>	Type	Lease term
1.	Levels 31-33, 35-39, 40-43 and 45 Royal Mediterranean Hotel No. 518 Tianhe Road Tianhe District Guangzhou Guangdong Province The PRC	100%	18,184	H	Medium lease
2.	Various floors Zhukong International Lot A2-1 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	80%	17,988	C/O	Medium lease
3.	Block 7 Yujing Scenic Garden Provincial Highway G105 line Jiulibu District Jiangpu Town Conghua Guangzhou Guangdong Province The PRC	70%	3,283	C	Medium lease

Detail of property development projects	Attributable beneficial interest to the Group	Site area m <sup>2</sup>	Total GFA m <sup>2</sup>	Total Saleable GFA m <sup>2</sup>	Completed and sold properties m <sup>2</sup>	Completed properties held for sale m <sup>2</sup>	Under development m <sup>2</sup>	Completed properties held as investment	Type	Estimated/actual date of completion	
								properties m <sup>2</sup>			
4.	Zhukong International Lot A2-1, Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	80%	10,449	133,297	109,738	41,411	50,339	–	17,988	C/CP/O	2015

## PARTICULARS OF PROPERTIES

Detail of property development projects	Attributable beneficial interest to the Group	Site area m <sup>2</sup>	Total GFA m <sup>2</sup>	Total Saleable GFA m <sup>2</sup>	Completed and sold properties m <sup>2</sup>	Completed properties held for sale m <sup>2</sup>	Under development m <sup>2</sup>	Completed properties held as investment properties m <sup>2</sup>	Type	Estimated/
										actual date of completion
5. Yunling Lake Provincial Highway S355 line Jiekou Street Conghua Guangzhou Guangdong Province The PRC	100%	200,083	124,521	124,521	-	-	124,521	-	HV	2017
6. Yujing Scenic Garden Provincial Highway G105 line Jiulibu District Jiangpu Town Conghua Guangzhou Guangdong Province The PRC	70%	294,684	886,270	753,871	222,960	53,083	474,545	3,283	R/C/CP/S	Between 2014 and 2018
7. Tianhu Yujing Shui Di Village Jiulibu District Wenquan Town Conghua Guangzhou Guangdong Province The PRC	100%	55,031	240,296	157,791	-	-	157,791	-	R/C/CP	2016
8. Central Park Lot H3-3 Zhujiang New Town Tianhe District Guangzhou Guangdong Province The PRC	100%	3,430	34,852	28,321	21,658	6,663	-	-	S/C/CP	2015
9. Pearl Yujing No.168 Xin Kai Street West Section Xianghe County Langfang City Hebei Province The PRC	100%	52,672	99,565	91,553	-	-	91,553	-	R/C/CP	2018

*R-Residential**C-Commercial**CP-Car park**H-Hotel**O-Office**V-Villa**S-Service Apartment*