ZHONG HUA INTERNATIONAL HOLDINGS LIMITED
中華國際控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code: 1064

Annual Report 2015

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Ho Kam Hung

Non-Executive Director

Young Kwok Sui

Independent Non-Executive Directors

Tam Kong, Lawrence
Wong Miu Ting, Ivy
Wong Kui Fai

COMPANY SECRETARY

Tsang Tsz Hung, *CPA*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2911, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Central
Hong Kong

PRINCIPAL OFFICE IN MAINLAND CHINA

Level 14, Gang Yu Square
Chaodong Road
Chaotianmen
Chongqing

AUDITORS

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

COMPANY WEBSITE

www.zhonghuagroup.com

LEGAL ADVISERS

As to Hong Kong Law
Hastings & Co.
5th Floor Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

As to Bermuda Law
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

PROPERTY VALUERS

Savills Valuation and Professional
Services Limited
23rd Floor, Two Exchange Square
Central
Hong Kong

Vigers Appraisal and Consulting Limited
10th Floor, The Grande Building
398 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKERS

Wing Hang Bank (China) Limited,
Guangzhou Branch
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING AND STOCK CODE

The Main Board of The Stock Exchange of
Hong Kong Limited: 1064

FINANCIAL REVIEW

The Group recorded a turnover of HK$37,392,000 (2014: HK$38,304,000) for the year ended 31 December 2015. Net profit for the year attributable to ordinary equity holders of the Company was HK$28,736,000 (2014: HK$16,438,000).

The Group generally financed its operations with internally generated cash flows and banking facilities during the year.

Cash and bank balances of the Group as at 31 December 2015 amounted to HK$18,584,000 (2014: HK$44,412,000).

Borrowings

At 31 December 2015, the Group had outstanding borrowings of HK$107,481,000 (2014: HK$122,355,000) comprising interest-bearing bank loans amounted to HK$31,985,000 (2014: HK$42,216,000) and a loan from a director amounted to HK$75,496,000 (2014: HK$79,975,000). The outstanding borrowing as at 31 December 2014 also comprised a finance lease payable amounted to HK$164,000. Of the Group's interest-bearing bank loans, 29%, 28% and 43% respectively were repayable within one year or on demand, in the second year, and in the third to fifth years, inclusive.

At 31 December 2015, the secured bank loans of HK$31,985,000 (2014: HK$42,216,000) of the Group bore interest at floating interest rates. The secured bank loans, of HK$5,645,000 (2014: HK$8,433,000) and HK$26,340,000 (2014: HK$33,783,000) of the Group are denominated in Hong Kong dollars and in Renminbi ("RMB") respectively.

The Group's gearing ratio as at 31 December 2015 was 0.03 (2014: 0.03), calculated based on the Group's interest-bearing bank loans and other borrowings and loan from a director of HK$107,481,000 (2014: HK$122,355,000) over total assets of HK$4,104,674,000 (2014: HK$4,104,062,000). The Group's gearing was maintained at a relatively low level during the year.

Currency structure

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were primarily conducted in Hong Kong dollars or Renminbi and the exchange rates for these two currencies were relatively stable throughout the year.

Pledge of assets

The Group had utilised secured bank loan facilities amounting to HK$31,985,000 (2014: HK$42,216,000) as at 31 December 2015. Bank loans were charged by certain investment properties and corporate guarantee jointly executed by the Company itself and one of its substantial shareholders.

Contingent liabilities

As at 31 December 2015, guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties amounted to HK$139,000 (2014: HK$139,000).

FINAL DIVIDEND

The board of directors (the "Directors") did not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

NOTICE OF ANNUAL GENERAL MEETING

Notice of annual general meeting of the Company and related circular to shareholders will be sent to the shareholders of the Company under separate cover.

BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are principally engaged in property investment and development in Mainland China and have two property interests, one in Chongqing (重慶市) and the other in Guangzhou (廣州市).

Guang Yu Square (港渝廣場), a 16-storey plus a basement commercial building, is situated at the most prime commercial area at Chaotianmen (朝天門), Yuzhong District (渝中區), Chongqing (重慶市). Chaotianmen is one of the major clothing wholesale points in Chongqing while Guang Yu Square is the most popular men's clothing and footwear wholesale centre in the region.

The property interest in Guangzhou (廣州市) is situated at the most prime commercial area in Yuexiu District (越秀區), Guangzhou. It is planned that the development site will be developed into a versatile grade A commercial building complex with wholesale and exhibition hall facilities and with an objective to be the landmark of the Yuexiu District. The development site is comprised of three contiguous land parcels located at the east of Jiefang Road South (解放南路), to the south of Daxin Road (大新路), to the north of Yede Road (一德路) and to the west of Xieen Lane (謝恩里), Yuexiu District and is wholly owned by Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司) ("GZ Zheng Da") which in turn Zheng Da Real Estate Development Company Limited ("HK Zheng Da"), a private company incorporated in Hong Kong, has 100% interest.

GZ Zheng Da was set up as a Sino-foreign joint venture by HK Zheng Da as the foreign partner and 越秀房地產開發經營公司("越秀國企"), a state-owned enterprise and an independent third party, as the Sino partner in Guangzhou in December 1993. Since its formation, 越秀國企 has not provided any capital or management support to GZ Zheng Da to a material extent. Pursuant to the terms of the Enforcement Rules of the Joint Venture Agreement (合作合同實施細則) (the "Enforcement Rules") executed in 1994, 越秀國企 agreed to surrender its entire interest in GZ Zheng Da except those benefits specified in the Enforcement Rules and therefore HK Zheng Da assumed 100% interest in GZ Zheng Da.

The Group acquired a 25% indirect interest in HK Zheng Da in December 2007 while the remaining 75% interest to be completed by the Group not later than 30 June 2016 at an aggregate consideration of RMB1,361,100,000 (equivalent to HK$1,606,098,000). Details of the intended acquisition, including terms and conditions, consideration and settlement mechanism, and their amendments thereafter were disclosed in the Company's circular dated 26 November 2007 (the "Acquisition Circular") and the Company's announcements dated 31 March 2009, 29 June 2009, 17 December 2009, 22 June 2010, 24 June 2011, 28 June 2012, 26 June 2013, 23 June 2014 and 2 June 2015 (primarily refers to the deferment of the long stop date for completion of the acquisition from 31 March 2009 to 30 June 2016).

Pending for re-developing into a commercial complex, the development site is presently comprised of a 2-storey non-permanent commercial podium and a car park for loading and off-loading inventory. With a history of over one century for footwear wholesale business in the area surrounding the development site, the commercial podium is the most popular footwear boutique showcase and wholesale centre in Guangzhou.

The development project was initially planned to be completed within a period of 15 years but its progress was interrupted by the modifications of municipal planning in the region from time to time in the past years. Pursuant to the terms of the relevant joint venture agreement, the joint venture period of GZ Zheng Da is from 31 December 1993 to 31 December 2008 and can be further extended at the request of either foreign or Sino partner upon maturity. In December 2008, both GZ Zheng Da and its foreign partner, HK Zheng Da, agreed to extend the joint venture period by 15 years with effect from 1 January 2009 in accordance with the provisions of the articles of GZ Zheng Da but 越秀國企, its Sino partner, had become dormant a couple of years ago and therefore its consent could not be obtained. On the other hand, it appeared that another enterprise namely 越秀房地產開發經營有限公司 ("越房私企"), a privately owned enterprise which acquired certain assets (but interest in GZ Zheng Da not included) from 越秀國企 some years ago, claimed that it had taken up certain interest in GZ Zheng Da from 越秀國企, but that was not the case. As such, in late December 2008, GZ Zheng Da served a writ against 越房私企 at the Guangdong Provincial Guangzhou Municipal Yuexiu District People's Court (廣東省廣州市越秀區人民法院) (the "Yuexiu Court") demanding for the confirmation of disqualification of 越房私企 from the Sino partnership (if any) of the subject joint venture. Details of which are described under the section headed "Material Litigations" below.

MATERIAL ACQUISITION UPDATE

The Group entered into a conditional sale and purchase agreement in October 2007 (the "Acquisition Agreement") with the private companies wholly owned by Messrs. Ho Pak Hung, Ho Tsam Hung and Ho Kam Hung (collectively the "Vendors"), pursuant to which, amongst other things, the Vendors agreed to sell, and an indirectly wholly-owned subsidiary of the Company (the "Purchaser") agreed to acquire, 100% equity interest in HK Zheng Da at a consideration of RMB1,814,800,000 (equivalent to HK$2,141,464,000 (the "Acquisition"). The principal asset held by HK Zheng Da is the indirect entire interest in a property interest situated in Guangzhou. Details of the Acquisition were set out in the Acquisition Circular.

As set out in the Acquisition Circular, completion of the Acquisition should have taken place in four tranches to be completed in different phases on terms as follows:

Tranches	**Equity interests in HK Zheng Da represented**	**Consideration for each tranche** *(RMB)*	**Original expected completion date**
First Tranche	25%	453,700,000	31 December 2007
Second Tranche	26%	471,848,000	31 May 2008
Third Tranche	24%	435,552,000	31 October 2008
Fourth Tranche	25%	453,700,000	31 March 2009
	100%	1,814,800,000	

Pursuant to the terms and conditions of the Acquisition Agreement, the Purchaser could at its sole discretion elect to defer completion of one or more tranches (except the First Tranche) to a date later than the expected completion date of the relevant tranche as mentioned above. If the Purchaser did not complete any of the tranches on or before the relevant expected completion date, the Purchaser was obliged to pay to the Vendors a deferred interest payment (the "Deferred Interest") calculated at the rate of 4% p.a. on the consideration for such tranche for the period commencing from the relevant original expected completion date and ending on and excluding the day when the relevant consideration was settled by the Purchaser or 31 March 2009, whichever the earlier. In the event that the entire Acquisition Agreement did not complete by 31 March 2009 (the "Long Stop Date"), the Acquisition Agreement should lapse (save for any part of completed tranches) and the Purchaser should have no liabilities save for the Deferred Interest obligations.

Completion of the First Tranche took place on 17 December 2007. At 31 March 2009, the Second Tranche, the Third Tranche and the Fourth Tranche were not completed. As such, the Purchaser was obliged to pay to the Vendors the Deferred Interest of the Second Tranche and the Third Tranche, which was HK$25,837,000 in total. No Deferred Interest was required to be paid by the Purchaser in respect of the Fourth Tranche as the original expected completion date for the Fourth Tranche was on 31 March 2009. The Purchaser and the Vendors then executed ninth supplementary agreements to the effect that the Long Stop Date was deferred to 30 June 2015.

In June 2015, the Purchaser and the Vendors executed a tenth supplementary agreement to explore opportunity to arrive any revised terms for the settlement of and the consideration for, and completion timetable in relation to the Acquisition of the remaining 75% indirect interest in HK Zheng Da not later than the revised long stop date which was further deferred to 30 June 2016. If a revised agreement is concluded, it is anticipated that the Acquisition will be financed by debt financing, equity financing, bank borrowings or a combination of the three kinds. If in case the Acquisition lapses on 30 June 2016, no party shall be liable to each other. If this happens, the Group will no longer deem control over HK Zheng Da and its subsidiary and there will be a major accounting adjustment to the consolidated accounts of the Company for the year ending 31 December 2016 to the effect that HK Zheng Da will be regarded as an associated company with a 25% equity interest but not a 25% owned subsidiary of the Company. Further announcement will be made once a concrete decision is made by the Group.

MATERIAL LITIGATIONS

(a) In late December 2008, GZ Zheng Da, an indirect wholly-owned subsidiary of the Company, served a writ against 越房私企 at the Yuexiu Court demanding for confirmation of disqualification of 越房私企 from the Sino partnership (if any) of the subject Sino-foreign joint venture. The relevant judgement was issued in July 2009 with rulings endorsing the forfeiture of the partnership qualification and legal entitlements of 越房私企 in the subject joint venture. 越房私企 then filed an appeal petition (the "Zheng Da Appeal") at the Guangdong Provincial Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院) (the "Guangzhou Court") in August 2009. An hearing was made in October 2009 and no further hearings had been made since then. Both GZ Zheng Da and HK Zheng Da have not yet received a valid judgement in writing issued by the Guangzhou Court in accordance with the relevant PRC laws and due judicial procedures. Further details about the developments of, and events incidental to, the Zheng Da Appeal were disclosed in the Company's announcement dated 25 March 2013. Both GZ Zheng Da and HK Zheng Da had dialogues with the relevant court officials from time to time and are looking forward to receiving a formal and legally valid verdict, notice or directive in relation to the Zheng Da Appeal to be granted by the Guangzhou Court or its higher court in accordance with the relevant PRC laws and due judicial procedures. Taking into account the latest rulings granted by the Yuexiu Court in July 2009, the facts and legal grounds substantiated at the first hearing of the Zheng Da Appeal, and the opinion given by the PRC legal counsels and advisers, the Company remains optimistic in obtaining a favourable judgement in the Zheng Da Appeal.

(b) In October 2013, the Guangzhou Municipal Administration of National Resources and Property Bureau (廣州市國土資源和房屋管理局)(the "Property Administration Bureau") issued two rulings on property demolition (房屋拆遷決定書) (the "Compensation Rulings") to GZ Zheng Da pertaining to two compensation and resettlement cases for property demolition (房屋拆遷補償安置個案). The Compensation Rulings concluded that GZ Zheng Da was liable to pay an one-off cash compensation in an aggregate amount of about RMB27,600,000 (equivalent to HK$32,568,000 as at 31 December 2015) (the "Cash Compensation") to a group of claimants (the "Claimants").

In March 2014, the Guangzhou Municipal People's Government (廣州市人民政府) (the "Guangzhou Government") issued two rulings on administrative review (行政覆議決定書) revoking the Compensation Rulings. As a result, GZ Zheng Da's obligation of paying the Cash Compensation was discharged.

In June 2015, the Guangzhou Court issued two rulings on administrative proceedings (行政裁定書) declining the appeal made by the Claimants against the Guangzhou Government's rulings.

In December 2015, the Guangdong Provincial Higher People's Court (廣東省高級人民法院) (the "Guangdong Court") issued two rulings on administrative proceedings (行政裁定書) to the effect that (i) the Guangzhou Court's rulings were withdrawn; and (ii) the Guangzhou Court was ordered to re-hear the Claimants' appeal against the Guangzhou Government's rulings. As at the date of this report, the re-trial was not yet heard and the Guangzhou Government's rulings remain valid.

Taking into account the latest rulings granted by the Guangzhou Government, the facts and legal grounds substantiated, and the opinion given by the PRC legal counsels and advisers, the Company remains optimistic in obtaining a favourable judgement in the re-trial.

(c) In 2011, two plaintiffs, together with Chongqing Smart Hero Real Estate Development Company Limited (重慶超霸房地產開發有限公司) ("CQ Smart Hero"), an indirect wholly-owned subsidiary of the Company, in its capacity as the third plaintiff, served a writ of summons against a third party (the "Third Party") at the Yuexiu Court in relation to a contract dispute (合同糾紛). The case was subsequently redirected to the Guangzhou Court for trial for the reason of jurisdiction of court. In September 2013, the Guangzhou Court ruled that CQ Smart Hero was liable to pay an accrued interest in an aggregate amount of approximately RMB10,500,000 to the Third Party. Subsequently, CQ Smart Hero, together with two plaintiffs, filed an appeal against the Guangzhou Court's rulings at the Guangdong Court.

In June 2015, the Guangdong Court upheld the Guangzhou Court's rulings but the claim that was liable to be borne by CQ Smart Hero was reduced to approximately RMB4,200,000. The Guangdong Court's rulings are final and absolute unless being revoked by judicial review (復審).

The PRC legal counsel of CQ Smart Hero was of the view that judicial errors were made in the Guangdong Court's rulings and therefore were justifiable for pursuing judicial review (復審) with an aim to revoking its rulings. However, CQ Smart Hero, after careful and due considerations, concluded that additional management time and legal costs to be incurred would probably override the economic benefits to be derived from a favourable verdict of judicial review, if any, and resolved not to pursue the case further.

In February 2016, the Guangzhou Court confined the claim amount to approximately RMB3,743,000 (approximately HK$4,417,000), and a provision of the same amount was fully made in the Company's consolidated financial statements as at 31 December 2015.

(d) In April 2014, two civil claims were filed against CQ Smart Hero by a third party (the "CQ Third Party") at Chongqing Municipal Yuzhong District People's Court (重慶市渝中區人民法院) (the "Yuzhong Court") for an aggregate amount of about RMB5,167,000 plus accrued interests and costs. According to the writs, the CQ Third Party claimed certain damages in relation to a tenancy agreement executed between CQ Smart Hero and another third party in 2007 (the "Lease"). The CQ Third Party is neither a party to the Lease nor the beneficial or registered owner of the subject property under the Lease but claims to be the assignee of the Lease.

In February and March 2015, the Yuzhong Court respectively ruled that CQ Smart Hero was liable to compensate to the CQ Third Party in respect of both claims (the "Claims"). CQ Smart Hero then filed two appeals against the Yuzhong Court's rulings at the Chongqing Municipal Fifth Intermediate People's Court (重慶市第五中級人民法院) (the "Chongqing Court"). In May and August 2015, both appeals raised by CQ Smart Hero were turned down by the Chongqing Court. The Chongqing Court's rulings are final and absolute unless being revoked by judicial review (復審).

The PRC legal counsel of CQ Smart Hero was of the view that judicial errors were made in the Chongqing Court's rulings and therefore were justifiable for pursuing judicial reviews with an aim to revoking its rulings. However, CQ Smart Hero, after careful and due considerations, concluded that additional management time and legal costs to be incurred would probably override the economic benefits to be derived from a favourable verdict of judicial review, if any, and resolved not to pursue the case further.

The aggregate amount payable by CQ Smart Hero for the Claims would be approximately RMB2,467,000 (approximately HK$2,911,000), and a provision of the same amount was fully made in the Company's consolidated financial statements as at 31 December 2015.

(e) During the year ended 31 December 2015, the Guangzhou Urban Management Integrated Enforcement Bureau Yuexiu Sub-Bureau (廣州市城市管理綜合執法局越秀分局) (the "Enforcement Bureau") issued a ruling on administrative disposition of illegal erection (違法建築行政處理決定書) (the "Ruling") to GZ Zheng Da to the effect that a 2-storey non-permanent commercial podium with a total usable area of about 14,700 square meter situated in the Yuexiu District was required to be demolished by GZ Zheng Da. In the Ruling, the Enforcement Bureau concluded, inter alia, that the subject property was deemed as an illegal erection as its occupancy permit had been expired. The Ruling, however, did not elaborate further why the renewal of the occupancy permit was not granted.

Notwithstanding the subject property is classified as non-permanent erection pending for re-development, it had obtained approvals and permits for town planning, construction, inspection, occupancy and fire safety from all relevant government authorities up-to-date and hence its standards for building and fire safety are comparable to those standards for permanent erections. In addition, GZ Zheng Da is of the view that the subject property would not be deemed as illegal erection if the occupancy permit could be reasonably renewed as permitted under the relevant laws and regulations and hence the prosecution in question should be immune. As such, GZ Zheng Da, together with six co-operative parties, served a writ against the Ruling at the Yuexiu Court in November 2015. As at the date of this report, the date of hearing was not yet fixed and the enforcement of the Ruling will be customarily suspended until judgement is made.

Taking into account the facts and legal grounds substantiated, and the opinion given by the PRC legal counsels and advisers, the Company remains optimistic in obtaining a favourable judgement in this case.

ALLEGED "LIQUIDATION PETITION" AGAINST GZ ZHENG DA

Public Database of GZ Zheng Da Corporation Information indicates information of alleged "Liquidation Provisional Filed (清算備案)"

Pursuant to the Provisional Rules of Public Notice of Corporate Information of People's Republic of China (中華人民共和國企業信息公示暫行條例) newly enacted in October 2014, the Public Database of National Enterprise Credit Information (Guangdong) (全國企業信用信息公示系統(廣東)) on GZ Zheng Da downloaded in March 2015 reveals certain newly appeared information under the Provisional Filing Information Column (備案信息欄目) viz "Liquidation Information (清算信息) ", "Liquidation Officer-In-Charge He Wei (清算負責人何偉) " and "Member of Liquidation Committee Guangdong Guoding Law Firm (清算組成員廣東國鼎律師事務所)". It is noted that the alleged "Liquidation Provisional Filed (清算備案)" remains posted under the Provisional Filing Information Column (備案信息欄目) in March 2016.

According to the Corporate Registration Information Memorandum (企業登記資料包) obtained from the Guangzhou Administration for Industry & Commerce Bureau (廣州市工商行政管理局) (the "AIC Bureau") by GZ Zheng Da (being exclusive information to the subject corporation), a third party namely Guangdong Guoding Law Firm (廣東國鼎律師事務所) ("Guoding") filed an Application Form for Notification of Change (Provisional Filing) of Foreign Investment Enterprise (外商投資企業變更(備案)登記申請書) (the "Application Form"), together with a copy of purported order of the Guangzhou Court (廣東省廣州市中級人民法院決定書) (the "Purported Court Order") as supporting document, to the AIC Bureau without the prior acknowledgment nor consent of GZ Zheng Da in September 2011. The Application Form requested for filing of "Provisional Filing of Member of the Liquidation Committee (清算組成員備案)" and "Provisional Filing of Liquidation Officer-In-Charge (清算負責人備案)" in the corporate information database of GZ Zheng Da at the AIC Bureau. Copy of the Purported Court Order stated that "the court has nominated Guoding as the liquidation committee to proceed with the liquidation of GZ Zheng Da in accordance with the law (已指定國鼎組成清算組，依法對廣州正大進行清算)".

GZ Zheng Da confirmed to the Company that it had never authorised, appointed or instructed Guoding or He Wei to file or handle such application, nor granted consent to such application thereafter. GZ Zheng Da and HK Zheng Da, being the equity holder of GZ Zheng Da holding 100% interest therein, also confirmed to the Company that they had never been served any statements of instigation of proceedings, notice of summons or notice of judgement, orders (including the Purported Court Order or order of a similar nature) or written judgement(s) in relation to liquidation petition or of a similar nature (the "Purported Liquidation Petition Case") from the Guangzhou Court in accordance with the prevailing PRC laws and regulations and due judicial procedures. Both the Company and GZ Zheng Da further confirmed that they were unable to find any "public official record" about the Purported Liquidation Petition Case (not even the relevant case number) from the official database or public notice board of the Guangzhou Court so far.

According to the Purported Court Order, it appears that the purported liquidation petition was instituted by 越房私企, a third party neither had any equity or any other interests in GZ Zheng Da nor was a creditor of GZ Zheng Da. Hence, the PRC legal counsel of GZ Zheng Da considers that 越房私企 unlikely meets the pre-requisite conditions for filing a liquidation petition against GZ Zheng Da pursuant to the prevailing company laws and regulations of the PRC.

Based on the record and facts known to the Company and GZ Zheng Da and having taken PRC legal advice, both the Company and GZ Zheng Da are of the view that (i) the legal proceedings of the Purported Liquidation Petition Case (if any) do not conform to the legal provisions and judicial procedures in Mainland China; (ii) the Purported Court Order (if any) is not effective disposition of the matter to which it purportedly relates and thus is invalid and void; and (iii) the purported authority of the so-called liquidation committee of GZ Zheng Da is derived from the Purported Court Order which is invalid and void. Therefore, Guoding does not have the lawful authority to proceed with liquidation of GZ Zheng Da or file corporate information about GZ Zheng Da with the AIC Bureau (or for any other purposes) for and on behalf of GZ Zheng Da.

According to the relevant provisions of the Rules of Administration of Company Registration of People's Republic of China (中華人民共和國公司登記管理條例) (the "Company Registration Rules"), the provisional filing of liquidation information with the AIC Bureau requires the consent of the subject company (with company chop shown on the application form) and other requisite legal documents, such as company dissolution documents (公司解散證明文件), as supporting documents. No such supporting documents nor GZ Zheng Da's company chop were found on the Application Form submitted by Guoding. After taking PRC legal advice, both the Company and GZ Zheng Da consider that the Application Form submitted to the AIC Bureau by Guoding violates the relevant provisions of the Company Registration Rules to a material extent and the provisional filing under concern should be rendered "application declined (申請退回)". In November 2014, GZ Zheng Da, through a national congress representative, had filed a submission to the Guangdong Court to express its grave concern about the Purported Liquidation Petition Case (including the Purported Court Order) and related issues but no formal reply was received from them to-date.

The latest Business Record Information (商事登記信息) of GZ Zheng Da retrieved from the AIC Bureau in mid March 2016, which is regarded as public information, indicates that the principal status (主體狀態) and legal representative (法定代表人) of GZ Zheng Da are "business commenced (已開業)" and "Ho Kam Hung" respectively. The business of GZ Zheng Da remains as usual and GZ Zheng Da's latest tax return was filed in May 2015. Mr. Ho Kam Hung, an executive director of the Company, has been the legal representative of GZ Zheng Da since 1993.

Shareholders of the Company are urged to read the Company's announcement dated 25 March 2013 about the lawful authority of the purported "liquidation committee of GZ Zheng Da" in question.

The Second and Unqualified Person appearing on the Demolition Permit and the Demolition Extension Notice

Since 2003, GZ Zheng Da has been granted the Qualified Person for Demolition and Relocation (the "Qualified Person 拆遷人") (which was required to demonstrate substantial capital resources, property development plan on hand, concrete property demolition and relocation plan pursuant to the provisions of Rules of Management of Urban Property Demolition and Relocation of Guangzhou Municipality (廣州市城市房屋拆遷管理條例) (the "Demolition Management Rules")) and the Qualified Contractor for Demolition and Relocation (the "Qualified Contractor 拆遷實施單位") (which was required to demonstrate substantial hands-on experience in property demolition and relocation projects and hiring extensive construction and engineering professionals pursuant to the provisions of the Demolition Management Rules) by the Property Administration Bureau to the effect that GZ Zheng Da was empowered to demolish a property located in Yuexiu District, Guangzhou within about one year under the license of a property demolition and relocation permit (房屋拆遷許可證) (the "Demolition Permit"). Since then, GZ Zheng Da applied for extension of the Demolition Permit once every year and the Property Administration Bureau customarily renewed the Demolition Permit and the notice of extension of property demolition and relocation (房屋拆遷延期公告) (the "Demolition Extension Notice") every subsequent year.

The Demolition Extension Notices issued in 2014 and 2015 contained new clauses which included, inter alia, an entity named "the liquidation committee of GZ Zheng Da (廣州正大清算組)" (the so-called "Liquidator") as the secondary Qualified Person (第二拆遷人) and the secondary Qualified Contractor (第二拆遷實施單位) in addition to GZ Zheng Da which remained as the primary Qualified Person (第一拆遷人) and primary Qualified Contractor (第一拆遷實施單位). The Demolition Extension Notices also put a remark that "pursuant to the Purported Court Order, the Guangzhou Court nominated Guoding as the liquidation committee to proceed with the liquidation of GZ Zheng Da in accordance with the laws, and the demolition activities should be executed by the liquidation committee." (collectively the "New Clauses").

GZ Zheng Da confirmed to the Company that it had no acknowledge of the New Clauses until the renewal of the said extension notices nor concurred with such New Clauses thereafter and hence raised objection to the Property Administration Bureau about the imposition of the New Clauses. No formal reply was obtained from the Property Administration Bureau so far.

As such, an inhabitant to be vacated (被拆遷人) (the "Plaintiff") filed administrative pleadings (行政訴訟) against the Property Administration Bureau at the Yuexiu Court in May 2014. The administrative pleadings demanded for the revocation of the Demolition Extension Notice on the ground that the Property Administration Bureau should not grant the demolition extension to both GZ Zheng Da and the so-called Liquidator simultaneously as it is against common legal principle if GZ Zheng Da (which is subject to liquidation (if that is the case)) and the so-called Liquidator co-exist to engage in demolition activities. GZ Zheng Da, as one of the litigant participants, opposed to the grant of the qualified licenses to the so–called Liquidator as it was not lawfully constituted and the Property Administration Bureau would have breached the relevant provisions of the Demolition Management Rules if licenses were granted to unqualified entities for participating in demolition business. The Yuexiu Court dismissed the petition of the Plaintiff in August 2014.

Both GZ Zheng Da and the Plaintiff then filed administrative appeals (行政上訴) against the Property Administration Bureau at the Guangzhou Court (the "Administrative Appeals") thereafter based on similar grounds above. In June 2015, the Guangzhou Court issued the ruling on administrative proceedings (行政判決書) upheld the Yuexiu Court's ruling. The Plaintiff then lodged a judicial review (行政申訴) against the Guangzhou Court's ruling at the Guangdong Court, and the ruling remains pending as at the date of this report.

After seeking PRC legal advice, both the Company and GZ Zheng Da consider that (i) both the Demolition Permits and the Demolition Extension Notices to GZ Zheng Da are legally valid permit and notice despite their legal defects; (ii) the Yuexiu Court, the Guangzhou Court and the Property Administration Bureau all accept GZ Zheng Da as a separate legal entity; (iii) GZ Zheng Da remains as the Qualified Person and the Qualified Contractor and therefore can continue the demolition and relocation activities pursuant to the Demolition Permit; (iv) the purported authority of the so-called Liquidator is derived from the Purported Court Order which is invalid and void (please refer to the section headed "Public Database of GZ Zheng Da Corporation Information indicates information of alleged "Liquidation Temporarily Filed (清算備案)" "above for further details); (v) the capacity of the so-called Liquidator does not exist until and when Guoding removes the legal representative of GZ Zheng Da; (vi) the so-called Liquidator technically cannot co-exist with GZ Zheng Da to engage in same business activities; (vii) a liquidator is not empowered to engage in the businesses other than those specified under Clause 184 of Companies Law of People's Republic of China (中華人民共和國公司法), which do not include demolition and relocation businesses; (viii) a liquidator does not possess the pre-requisite qualifications (特定資質) and hands-on expertise in engaging in demolition and relocation businesses pursuant to the provisions of the Demolition Management Rules; and (ix) it appears that the Purported Court Order does not provide that "the demolition activities should be executed by the liquidation committee".

BUSINESS PROSPECTS

It is anticipated that the global monetary, commodity and stock markets will be relatively volatile coupled with unpredictable global economic growth forecasts in 2016. While the United States has ceased its quantitative easing policies on money supply in mid 2015 and has raised the federal fund rate in December 2015 to cool down its domestic inflation threat, most central banks in the western world, including the European Economic Community and Japan, are initiating another round of quantitative easing policies to boost their weaken domestic economies. The uncertainty and speculation of foreign exchange fluctuations, mainly Euro dollars and Japanese Yen, and crude oil price fluctuations will unavoidably hit the exports of Mainland China in 2016.

It is also perceived that Mainland China will encounter a tough year in 2016. The Finance Minister of China recently commented at the National People's Congress that the economic growth forecast will be further slowdown in 2016. Since late 2014, the People's Bank of China has been decreasing the benchmark lending interest rate and required reserve ratio of commercial banks with an objective to enhance the liquidity of domestic money market in Mainland China. The property markets in most leading cities in Mainland China will remain relatively steady in 2016. With the sustaining growth in economy and population in major cities in Mainland China in future, the Group remains optimistic in the prospects of the property market in Mainland China in the medium to long-term spectrum. In addition, the Group considers that the geographical spread of its investment property projects in both Chongqing as the capital city of western China and Guangzhou as the capital city of southern China, with varying economic growth propensity, will serve to diversify the Group's exposure to business risks in the two regions.

The Group expects that the investment potential of the Guang Yu Square will be further improved in the medium term, as the Chongqing Municipal People's Government (重慶市人民政府) has been undergoing a major urban re-development (城市改造工程) at Chaotinanmen so that most aged and poorly managed buildings surrounding the Guang Yu Square will be demolished and new infrastructure facilities will be constructed in coming years. To couple with this major urban redevelopment, the Group has commenced the refurbishment of the Guang Yu Square to upgrade its facilities and exterior design and thereafter, the revenue from the property is expected to generate a higher yield.

In respect of the investment project in Guangzhou, it is planned that the development site will be developed into a versatile grade A commercial building complex with wholesale and exhibition hall facilities. Upon the completion of the project, it is anticipated that significant revenue can be generated for the Group and, more importantly, it can create more job opportunities and economic benefits to the Yuexiu District. However, the construction schedule of the development project has been deferred pending to the outcome of the lawsuit. As such, the development site is currently operating as a non-permanent commercial podium for footwear boutique showcase and wholesale centre so as to maintain a steady revenue for the Group in 2016.

Having considered these matters, the Directors will keep on a cautious approach in its property development projects on hand and re-mapping its business directions for the coming three years and are of the view that the Group should diversify its business. It is anticipated that the engagement in renewable energy and related industries will be a new business model all over the world in the forthcoming years.

Given the strong asset backing and low gearing ratio for the Group's financial position, the Group may take these advantages to explore new business opportunities in 2016 and 2017. The Directors will also strengthen its management expertise and redeploy the Group's resources for meeting these new challenges.

Looking ahead, the Directors are confident and optimistic about the Group's future prospects.

The Directors have pleasure in presenting their report together with their audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 33 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

For details in relation to the business review including an analysis of the Group's performance using financial key performance indicators during the reporting period and prospect of the Group, please refer to pages 3 to 14 under the section headed "Management Discussion and Analysis".

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in the annual report, the Directors are not aware of any principal risks and uncertainties of the Group.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the Group's financial position at that date are set out in the financial statements on pages 30 to 92.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2015.

FIVE YEAR GROUP FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from its audited financial statements, is set out on page 93. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in notes 23 and 24 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for cash distribution and distribution in specie were HK$73,227,000. In addition, in accordance with the Bermuda Companies Act 1981, the Company's share premium account, in the amount of HK$398,726,000, are distributable in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentages of sales and purchases attributable to the Group's major customers and supplier were as follows:

(i) the aggregate amount of sales attributable to the Group's four largest customers represented 100% of the total sales for the year. The sales attributable to the Group's largest customer represented 62.5% of the Group's total sales for the year; and

(ii) the Group had no major supplier due to the nature of principal activities of the Group.

As far as the Directors are aware, neither the Directors, their respective close associates nor any substantial shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's four largest customers.

DIRECTORS

The Directors of the Company during the year were:

Executive Director:
Ho Kam Hung

Non-Executive Director:
Young Kwok Sui

Independent Non-Executive Directors:
Tam Kong, Lawrence
Wong Miu Ting, Ivy
Wong Kui Fai

All non-executive Directors, including independent non-executive Directors, are appointed for a term of one year. In accordance with the Company's bye-laws, all of them shall retire from office by rotation, and, being eligible, will offer themselves for re-election at the Company's annual general meeting.

In accordance with the Company's bye-laws, Ho Kam Hung and Wong Miu Ting, Ivy shall retire from office by rotation, and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence from Tam Kong, Lawerence, Wong Miu Ting, Ivy and Wong Kui Fai, and as the date of this report regards these Directors to be independent.

Details of the profiles of the Directors are set on page 27 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the Company's forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for those disclosed in section headed "Connected Transactions" below and note 35 to the financial statements, no transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company or any of the Company's subsidiaries was a party and in which a Director nor a connected entity of a Director of the Company had a material interest, either directly or indirectly, subsisted as at the end of the reporting period or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who make contributions to the Group's operations and profitability. Further details of the share option scheme are disclosed in note 24 to the financial statements.

At the end of the reporting period and the date of approval of these financial statements, the Company had no share option outstanding under the share option scheme.

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

As at 31 December 2015, the interests and short positions of the Directors and chief executive in the share capital and the underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

The Company:

Name of director and chief executive	Capacity and nature of interest	Number of shares held: Long position	Number of shares held: Short position	Percentage of the Company's share capital
Ho Kam Hung *(note)*	Through controlled corporations	110,600,000	–	18.26

Note:

Ho Kam Hung is deemed (by virtue of the SFO) to be interested in these shares in the following capacities.

(i) 10,800,000 shares are held by Morcambe Corporation which is beneficially owned by him.

(ii) 87,120,000 shares are held by EC Fair Limited, in which he has $33^1/_3$% interest.

(iii) 12,680,000 shares are held by High Rank Enterprises Limited, in which he has approximately 31.6% interest.

Associated Company:

Name of director and chief executive	Name of associated corporation	Relationship with the Company	Shares/ equity derivatives	Numbers of shares/equity derivatives held: Long position	Numbers of shares/equity derivatives held: Short position	Capacity and nature of interest	Percentage of the associated corporation's share capital
Ho Kam Hung	Smart Hero (Holdings) Limited	Company's subsidiary	Non-voting deferred shares	91	–	Directly beneficially owned	30.13
	China Land Realty Investment Limited	Company's subsidiary	Non-voting deferred shares	91	–	Directly beneficially owned	30.13

The rights and restrictions attached to the aforementioned non-voting deferred shares are set out in note 33 to the financial statements.

Save as disclosed above, as at 31 December 2015, to the best knowledge of the Directors, none of the Directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

CONNECTED TRANSACTIONS

The Company had the following connected transactions, details of which were disclosed in accordance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(i) On 2 June 2015, the Company entered into the tenth supplementary agreement with the Vendors (as defined in note 33 to the financial statements) to extend the dates of completion of the second, the third and the fourth tranches in relation to an acquisition from 30 June 2015 to 30 June 2016, while no deferred interest is required for the period of extension. Further details are disclosed in note 33 to the financial statements.

(ii) An interest expense of HK$6,155,000 was incurred in respect of a loan from Ho Kam Hung, a Director, during the year. Details of a loan from a director are disclosed in notes 21 and 35 to the financial statements.

(iii) Certain bank loans are secured by a personal guarantee of Ho Pak Hung, a substantial shareholder of the Company (through controlled corporations by virtue of the SFO). Further details are disclosed in note 20 to the financial statements.

(iv) On 22 March 2016, Ho Kam Hung, a Director, entered into an agreement with the Company to indemnify the Company from any potential losses arising from an other receivable of RMB9,706,000 (equivalent to HK$11,453,000). The full amount of the said other receivable has been included in the Company's consolidated statement of financial position as at 31 December 2015. The indemnity covers the period from 1 January 2016 to 31 December 2016.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouses or minor children to acquire such rights in any other body corporate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had about 30 employees and the total staff costs (including Directors' and chief executive's remuneration) accumulated to approximately HK$6.7 million. Remuneration policies are reviewed regularly by the Directors and by the Remuneration Committee in respect of the Directors and senior management. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective regions in which the Group operates.

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

As at 31 December 2015, the interests and short positions of 5% or more of the share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position:

Name of shareholders	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's share capital
Ye Jia Li *(note 1)*	Interest of spouse	110,600,000	18.26
Ho Tsam Hung *(note 2)*	Through controlled corporations	105,600,000	17.44
Ho Pak Hung *(note 3)*	Through controlled corporations	99,800,000	16.48
Liang Gui Fen *(note 4)*	Interest of spouse	99,800,000	16.48
EC Fair Limited *(notes 2 and 3)*	Directly beneficially owned	87,120,000	14.39
Strong Hero Holdings Limited *(note 5)*	Directly beneficially owned	100,000,000	16.51
Xie Xiaoxiang *(note 5)*	Through controlled corporation	100,000,000	16.51
Hero Grand Investments Limited *(note 6)*	Directly beneficially owned	30,800,000	5.09
Leung Po Wa *(note 6)*	Through controlled corporation	30,800,000	5.09

Notes:

1. Ye Jia Li is deemed (by virtue of Part XV of the SFO) to be interested in these shares in the capacity as the spouse of Ho Kam Hung, a Director.

2. Ho Tsam Hung is deemed (by virtue of Part XV of the SFO) to be interested in these shares in the following capacities:

   (i) 5,800,000 shares are held by Morgan Estate Assets Limited, which is beneficially owned by him.

   (ii) 87,120,000 shares are held by EC Fair Limited, in which he has $33^1/_3$% interest.

   (iii) 12,680,000 shares are held by High Rank Enterprises Limited, in which he has approximately 31.6% interest.

3. Ho Pak Hung is deemed (by virtue of Part XV of the SFO) to be interested in these shares in the following capacities:

   (i) 87,120,000 shares are held by EC Fair Limited, in which he has $33^1/_3$% interest.

   (ii) 12,680,000 shares are held by High Rank Enterprises Limited, in which he has approximately 31.6% interest.

4. Liang Gui Fen is deemed (by virtue of Part XV of the SFO) to be interested in these shares in the capacity as the spouse of Ho Pak Hung.

5. Strong Hero Holdings Limited is wholly-owned by Xie Xiaoxiang.

6. Hero Grand Investments Limited is wholly-owned by Leung Po Wa.

Save as disclosed above, as at 31 December 2015, no person, other than the Directors, whose interests are set out in "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to section 336 of the SFO.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. Being a property developer and wholesale and retailing premises operator in Mainland China, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution, discharge of waste and water and disposal of building debris into the environment. Compliance procedures are in place from time to time to ensure adherence to applicable laws, rules and regulations.

During the year under review, so far as the Group is aware, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Moreover, the management also brought any latest changes in applicable laws, rules and regulations to the attention of relevant employees and operation units from time to time.

RELATIONSHIP WITH EMPLOYEES

The management recognises that employees, are keys to its sustainable development.

The Group is committed to establishing a close and caring relationship with its employees.

The Group also provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to its employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their roles.

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Company's Articles of Association, every Director, or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all loss or liabilities incurred or sustained by him/her as a Director or other officer of the Company in defending any proceedings, provided that no fraud or dishonesty was committed by any of the said persons. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year in respect of any legal actions which may be taken against the Directors and officers in the execution and discharge of their duties or in relation thereto.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Ho Kam Hung
Executive Director

Hong Kong
22 March 2016

This report describes the Company's corporate governance practices and explains the application of the principles of the code provisions of the Corporate Governance Code (the "Code") (formerly known as the Code on Corporate Governance Practices) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2015 and for the period up to the date of the annual report. The Company, in the opinion of the Directors, complied with the Code throughout the year, except for the following deviation of Code Provision A.4.2 as discussed in "Appointment and Re-election of Directors".

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code for securities transactions by the Directors. Amendments will be made to the Model Code from time to time in order to conform with any new amendments made to Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, the Company confirmed that the Directors have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Directors are responsible for determining those matters that are to be retained for full board's sanctions including, but not limited to, overall strategy and long-term objectives, new business opportunities, business plans and financial statements, interim and final results, material acquisitions and disposal of assets, capital projects and commitments, funding and risk management policies, material litigations as well as connected transactions.

The Directors have delegated the day-to-day responsibilities in respect of management and administrative functions to senior management including, but not limited to, implementing and achieving the strategies and objectives set by the Directors as well as overseeing the performance of different operating subsidiaries and monitoring and implementing proper accounting system and internal controls.

The board also has the corporate governance function, which is to determine the policy for the corporate governance of the Company and duties performed by the board under Code Provision D.3.1.

Four regular board meetings were held during the past twelve months. The attendance record of each Director at the said meetings during the past twelve months is set out as follows:

Name	Attended/Eligible to Attend
Executive Director	
Ho Kam Hung	4/4
Non-Executive Director	
Young Kwok Sui	4/4
Independent Non-Executive Directors	
Tam Kong, Lawrence	4/4
Wong Miu Ting, Ivy	4/4
Wong Kui Fai	4/4

During the year ended 31 December 2015, the Directors participated in the following trainings:

Name	Type of Trainings
Executive Director	
Ho Kam Hung	A, B
Non-Executive Director	
Young Kwok Sui	A, B
Independent Non-Executive Directors	
Tam Kong, Lawrence	A, B
Wong Miu Ting, Ivy	A, B
Wong Kui Fai	A, B

A: attending training course provided by the Company.

B: reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.

CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should be exercised by the different individuals. In order to comply with this provision by spirit, the board meetings of the Company were chaired by the Non-Executive Director or Independent Non-Executive Directors at most of the times during the past twelve months.

Ho Kam Hung is currently the Managing Director of the Company, having a similar capacity as a chief executive officer of the Company.

NON-EXECUTIVE DIRECTORS

The terms of office of all Independent Non-Executive Directors, subject to earlier determination or retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws and/or applicable laws and regulations, are fixed for one year renewable on an annual basis.

The Company has received from each of its Independent Non-Executive Directors an annual confirmation of independence and considers that each of them is independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code Provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the provisions of the Bye-laws of the Company, any director appointed by the Company either to fill a casual vacancy or as an addition to the board shall hold office until the forthcoming annual general meeting and shall then be eligible for re-election. Furthermore, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the Chairman and/or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. However, the Managing Director, though without a specified term, voluntarily retired and offered himself for re-election at the Company's annual general meetings in the past years. The Directors consider that this practice is in line with the spirit of the Code's practice.

AUDIT COMMITTEE

The present members of the Audit Committee are comprised of three Independent Non-executive Directors, Wong Miu Ting, Ivy, as Chairman, Wong Kui Fai and Tam Kong, Lawrence and one Non-Executive Director, Young Kwok Sui. During the past twelve months, the Audit Committee held two regular meetings.

The attendance record of each member at the audit committee meetings during the past twelve months is as follows:

Name of members	Attended/Eligible to Attend
Wong Miu Ting, Ivy *(Chairman)*	2/2
Wong Kui Fai	2/2
Tam Kong, Lawrence	2/2
Young Kwok Sui	2/2

The main duties of the Audit Committee include reviewing the financial information of the Group and overseeing the Group's financial reporting system and internal control procedures.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of three Independent Non-Executive Directors, Tam Kong, Lawrence, as Chairman, Wong Miu Ting, Ivy and Wong Kui Fai, and one Executive Director, Ho Kam Hung.

The attendance record of each member at the remuneration committee meetings during the past twelve months is as follows:

Name of members	Attended/Eligible to Attend
Tam Kong, Lawrence *(Chairman)*	1/1
Ho Kam Hung	1/1
Wong Kui Fai	1/1
Wong Miu Ting, Ivy	1/1

The main duties of the Remuneration Committee include determining remuneration policy for Directors and senior management and reviewing the remuneration package including performance-based remuneration.

NOMINATION COMMITTEE

The Nomination Committee comprises of two Independent Non-Executive Directors, Wong Kui Fai, as Chairman, and Tam Kong, Lawrence, and one Executive Director, Ho Kam Hung.

The attendance record of each member at the nomination committee meetings during the past twelve months is as follows:

Name of members	Attended/Eligible to Attend
Wong Kui Fai *(Chairman)*	1/1
Ho Kam Hung	1/1
Tam Kong, Lawrence	1/1

The main duties of the Nomination Committee include determining policy for nomination of directors and the nomination procedures and the process and criteria to select and recommend candidates for directorship.

The Board has adopted a board diversity policy (the "Board Diversity Policy") and delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board. The Board had reviewed the structure of the Board and is of the opinion that the Board met the requirements under the terms of the Board Diversity Policy.

The Nomination Committee will discuss and review the measurable objectives for implementing the Board Diversity Policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

INTERNAL CONTROL

The Directors acknowledge their responsibility for the Group's internal control system and through the Audit Committee, conduct reviews on the effectiveness of such system at least annually, covering all material controls, financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of such internal control system includes discussion with management on risk areas identified by management. The purpose of the Group's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational system so that the Group's objectives can be achieved.

AUDITORS' REMUNERATION

During the year ended 31 December 2015, the fees charged to the accounts of the Group for the Group's statutory audit services amounted to HK$1,800,000.

COMPANY SECRETARY

During the year, Tsang Tsz Hung, the Company Secretary of the Company, has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Directors believes that effective communication with the shareholders in a timely basis is essential. Shareholders can, by written requisition to the Board or the Secretary of the Company, to convene an extraordinary general meeting, subject to the provision of the Company's Bye-laws 58.

Shareholders are provided with contact details of the Company, such as telephone number, fax number, email address and postal address in the Company's website www.zhonghuagroup.com, in order to enable them to make any query that they may have with respect to the Company. They can also put forward their proposals at shareholders' meetings through these means subject to the provision as set out in the Company's Bye-Laws.

INVESTOR RELATIONS

There was no significant change in the issuer's constitutional documents during the year. For details of the Company's Bye-laws, shareholders can refer to the announcement dated 21 March 2013 on the website of The Stock Exchange of Hong Kong Limited or the Company's website for the bilingual copy of the Bye-Laws.

Directors

Executive director

Ho Kam Hung, aged 60, has been appointed as the Managing Director of the Company since October 1997. Mr. Ho has over 20 years' experience in property investment and development, manufacturing, multinational trading and investments in Mainland China and Hong Kong. Mr. Ho has been enthusiastic in community services in Mainland China and is currently the Standing Committee of Guangdong Federation of Industry & Commerce (廣東省工商業聯合會(總商會)), as well as the vice presidents of Guangdong International Overseas Chinese Chamber of Commerce (廣東國際華商會) and Guangdong Chamber of Foreign Investors (廣東外商公會).

Non-executive director

Young Kwok Sui, aged 57, was appointed as an independent non-executive director of the Company in December 2002 and was re-designated as a non-executive director of the Company in March 2006. He holds bachelor degrees in laws and commerce. He is also a solicitor and barrister of the High Court of New Zealand. He has over 20 years' professional and commercial experiences in finance, corporate strategies and property sector.

Independent non-executive directors

Tam Kong, Lawrence, aged 71, was appointed in December 2005 as an independent non-executive director of the Company. He is a seasoned banking and finance professional. He is a member of The Institute of Chartered Secretaries and Administrators, the United Kingdom, and holds a Post-Graduate Diploma in Management Studies from the University of Hong Kong and completed the Pacific Rim Bankers Program at the University of Washington, Seattle, the United States of America.

Wong Miu Ting, Ivy, aged 54, was appointed in December 2005 as an independent non-executive director of the Company. She holds a Bachelor Degree in Accounting and Financial Management from Loughborough University of Technology, England. She is a Certified Public Accountant (Practising) of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Ms. Wong has over 20 years of experience in auditing and business advisory. She also has experience in the IPOs of various companies and has been providing financial advisory services to listed companies in relation to accounting, internal control and financial matters.

Wong Kui Fai, aged 59, was appointed in November 2006 as an independent non-executive director of the Company. He holds a Bachelor Degree in Actuarial Science from University of Kent at Canterbury, England. He has been in the information technology ("IT") field for over 20 years with regional exposure covering the Greater China region and the United States. He had served at senior management levels for a number of multinational e-commerce solutions corporations and IT investment companies with hands-on experience in operations, strategic planning and direct investments. Mr. Wong formerly was the General Manager of Microsoft Hong Kong Limited and is presently actively engaged in mergers and acquisitions of cross border IT investment projects.

EY 安永

To the shareholders of Zhong Hua International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Zhong Hua International Holdings Limited (the "Company") and its subsidiaries set out on pages 30 to 92, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

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

Ernst & Young
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
22 March 2016

Consolidated Income Statement

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	*5*	**37,392**	38,304
Other income and gain		**21,321**	804
Changes in fair value of investment properties	*13*	**169,433**	124,897
Administrative expenses		**(32,643)**	(27,407)
Finance costs	*6*	**(8,660)**	(9,847)
PROFIT BEFORE TAX	*7*	**186,843**	126,751
Income tax expense	*10*	**(46,858)**	(34,886)
PROFIT FOR THE YEAR		**139,985**	91,865
Attributable to:			
Ordinary equity holders of the Company		**28,736**	16,438
Non-controlling interests		**111,249**	75,427
		139,985	91,865
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*11*		
			(Restated)
Basic		**HK$0.05**	HK$0.03
Diluted		**HK$0.05**	HK$0.03

	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR	**139,985**	91,865
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive expense to be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**(159,380)**	(64,896)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**(19,395)**	26,969
Attributable to:		
Ordinary equity holders of the Company	**(19,407)**	(3,653)
Non-controlling interests	**12**	30,622
	(19,395)	26,969

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**5,603**	6,445
Investment properties	*13*	**3,925,860**	3,986,250
Total non-current assets		**3,931,463**	3,992,695
CURRENT ASSETS			
Properties held for sale		**36,692**	38,869
Trade receivables	*15*	**14,211**	13,680
Prepayments, deposits and other receivables	*16*	**13,724**	14,406
Cash and bank balances	*17*	**18,584**	44,412
Total current assets		**83,211**	111,367
CURRENT LIABILITIES			
Trade payables	*18*	**(2,053)**	(2,174)
Other payables and accruals	*19*	**(25,717)**	(50,601)
Tax payable		**(41,101)**	(40,483)
Interest-bearing bank and other borrowings	*20*	**(9,213)**	(8,934)
Total current liabilities		**(78,084)**	(102,192)
NET CURRENT ASSETS		**5,127**	9,175
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,936,590**	4,001,870
NON-CURRENT LIABILITIES			
Loan from a director	*21*	**(75,496)**	(79,975)
Due to a director	*21*	**(133,334)**	(166,163)
Long term other payables	*19*	**(140,163)**	(131,710)
Interest-bearing bank and other borrowings	*20*	**(22,772)**	(33,446)
Deferred tax liabilities	*22*	**(832,792)**	(839,148)
Total non-current liabilities		**(1,204,557)**	(1,250,442)
Net assets		**2,732,033**	2,751,428

	Notes	2015 HK$'000	2014 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*23*	**15,140**	15,140
Reserves	*25*	**801,195**	820,602
		816,335	835,742
Non-controlling interests		**1,915,698**	1,915,686
Total equity		**2,732,033**	2,751,428

Ho Kam Hung
Director

Young Kwok Sui
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to equity holders of the Company							
	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 *(note 25)*	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	**15,140**	**398,726**	**80,258**	**167,972**	**173,646**	**835,742**	**1,915,686**	**2,751,428**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(48,143)**	**–**	**(48,143)**	**(111,237)**	**(159,380)**
Profit for the year	**–**	**–**	**–**	**–**	**28,736**	**28,736**	**111,249**	**139,985**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**(48,143)**	**28,736**	**(19,407)**	**12**	**(19,395)**
At 31 December 2015	**15,140**	**398,726***	**80,258***	**119,829***	**202,382***	**816,335**	**1,915,698**	**2,732,033**
At 1 January 2014	15,140	398,726	80,258	188,063	157,208	839,395	1,885,064	2,724,459
Exchange differences on translation of foreign operations	–	–	–	(20,091)	–	(20,091)	(44,805)	(64,896)
Profit for the year	–	–	–	–	16,438	16,438	75,427	91,865
Total comprehensive income/(expense) for the year	–	–	–	(20,091)	16,438	(3,653)	30,622	26,969
At 31 December 2014	15,140	398,726*	80,258*	167,972*	173,646*	835,742	1,915,686	2,751,428

* *These reserve accounts comprise the consolidated reserves of HK$801,195,000 (2014: HK$820,602,000) in the consolidated statement of financial position.*

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**186,843**	126,751
Adjustments for:			
Finance costs	*6*	**8,660**	9,847
Interest income	*7*	**(94)**	(169)
Depreciation	*7*	**507**	532
Gain on disposal of items of property, plant and equipment	*7*	**–**	(52)
Changes in fair value of investment properties	*7*	**(169,433)**	(124,897)
		26,483	12,012
Increase in trade receivables		**(531)**	(4,610)
Decrease in prepayments, deposits and other receivables		**682**	828
Decrease in trade payables		**(121)**	(1,676)
Decrease in other payables and accruals		**(21,784)**	(1,735)
Exchange differences on translation of foreign operations		**1,002**	7,387
Cash generated from operations		**5,731**	12,206
Interest received		**94**	169
Interest paid	*6*	**(2,501)**	(3,527)
Interest element on finance lease rental payments	*6*	**(4)**	(15)
Overseas taxes paid		**(1,494)**	–
Net cash flows from operating activities		**1,826**	8,833
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to investment properties		**(308)**	(1,108)
Proceeds from disposal of items of property, plant and equipment		**–**	52
Net cash flows used in investing activities		**(308)**	(1,056)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of bank loans		**(8,200)**	(8,916)
Capital element of finance lease rental payments		**(164)**	(187)
Increase/(decrease) in an amount due to a director		**(32,768)**	1,047
Increase in long term other payables		**14,913**	2,658
Net cash flows used in financing activities		**(26,219)**	(5,398)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(24,701)**	2,379
Cash and cash equivalents at beginning of year		**44,412**	42,033
Effect of foreign exchange rate changes		**(1,127)**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**18,584**	44,412
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position		**18,584**	44,412

1. CORPORATE INFORMATION

Zhong Hua International Holdings Limited (the "Company") was incorporated in Bermuda on 23 September 1997 as an exempted company with limited liability under the Bermuda Companies Act 1981.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. During the year, the principal office of the Company in Hong Kong was located at Suite 2911, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Central, Hong Kong.

The principal activity of the Company has not changed during the year and was investment holding. The principal activities of the Company's subsidiaries are set out in note 33 to the financial statements. There were no significant changes in the nature of the principal activities of the subsidiaries during the year.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as explained below regarding the impact of *Annual Improvements to HKFRSs 2010-2012 Cycle* and *Annual Improvements to HKFRSs 2011-2013 Cycle*, the adoption of the above revised standards has had no significant financial effect on these financial statements.

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

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

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

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD

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

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

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

The Group is in the process of making assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures

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

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties and properties held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Land and buildings	Over the lease terms
Leasehold improvements	20%
Equipment	20%
Computer and office equipment, furniture and fixtures	20%
Motor vehicles	20%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings held to earn income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

Properties held for sale

Properties held for sale, consisting of completed properties intended for sale, are classified as current assets and are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other cost attributable to such properties. Net realisable value is determined by directors with reference to the prevailing market prices on an individual property basis.

Leases

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

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

Derecognition of financial assets

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

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

Dividend income derived from the Company's subsidiaries in Mainland China is subject to a withholding tax under the prevailing tax rules and regulations of the People's Republic of China (the "PRC").

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of completed properties held for sale, when all of the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;

(ii) income from letting of investment properties, on a time proportion basis over the lease terms; and

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

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

The Group's subsidiaries in Mainland China are required to participate in the employee retirement scheme operated by the relevant local government bureau in Mainland China and to make contributions for its eligible employees. The contributions to be borne by the Group are calculated at a certain percentage of the salaries and wages for those eligible employees.

Share-based payments

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

The cost of Equity-settled Transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of Equity-settled Transactions is recognised in employee benefit expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for Equity-settled Transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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

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

Borrowing costs

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or income statement is also recognised in other comprehensive income or income statement, respectively).

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Impairment of assets

Management's judgement is required in the area of asset impairment, particularly in assessing whether: (1) an event has occurred that may affect asset values; (2) the carrying value of an asset can be supported by the net present value of future cash flows from the assets using estimated cash flow projections; and (3) the cash flow projections are discounted using an appropriate rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Income tax

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

As explained in note 22 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's subsidiaries in the PRC that would be distributed to their respective holding companies outside Mainland China in the foreseeable future.

The Group's investment properties at fair value in Mainland China are all held to earn rental income and/or for capital appreciation and they are considered to be held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties at fair value is measured rather than through sale. Accordingly, deferred tax on the Group's investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of the investment properties though use.

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.

Impairment of trade and other receivables

The Group makes allowances for impairment based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment allowances in the year in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) by reference to independent valuations;

(b) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences; and

(c) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices.

Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 13 to the financial statements.

Provision for legal disputes

At 31 December 2015, the Group is subject to several legal claims in relation to disputes in respect of (i) investment in a subsidiary; (ii) property demolition; and (iii) contract disputes which, in the opinion of the directors of the Company, arose during the normal course of business. Determining whether provision for these legal claims in dispute is necessary requires an estimation of probability that an outflow of resources embodying economic benefits to be required for settling the obligation and an estimation of the amount of the obligation which can be measured reliably at the end of the reporting period. Based on the advices from the independent legal advisors, those outstanding legal claims that are still in preliminary stage and the final outcome is unable to be determined at this stage. In the opinion of the directors of the Company, the Group has possible obligation in relation to these legal disputes; however, a sufficiently reliable estimate of the amount of the obligation cannot be made at the end of the reporting period. Disclosure of such litigations has been made in note 34 to the financial statements. Except for those accounted for in the financial statements, in the opinion of the directors of the Company, no other provision had been made in the consolidated financial statements at the end of the reporting period.

4. OPERATING SEGMENT INFORMATION

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

(a) the property investment segment, which invests in properties located in Mainland China for generating potential income from letting; and

(b) the corporate and others segment, which provides management services to group companies.

The management of the Group monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from operations. The adjusted profit/(loss) before tax from operations is measured consistently with the Group's profit/(loss) before tax from operations except that other income and finance costs are excluded from such measurement. Segment assets exclude cash and bank balances as it is managed on a group basis. Segment liabilities exclude tax payable, deferred tax liabilities, interest-bearing bank and other borrowings and a loan from a director as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

	Property investment		Corporate and others		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Segment revenue:						
Sales to external customers	**37,392**	38,304	**–**	–	**37,392**	38,304
Segment results	**186,994**	148,702	**(12,812)**	(12,908)	**174,182**	135,794
Other income					**21,321**	804
Finance costs					**(8,660)**	(9,847)
Profit before tax					**186,843**	126,751
Income tax expense					**(46,858)**	(34,886)
Profit for the year					**139,985**	91,865
Segment assets	**3,995,444**	4,058,811	**646**	839	**3,996,090**	4,059,650
Unallocated assets					**18,584**	44,412
Total assets					**4,014,674**	4,104,062
Segment liabilities	**251,971**	299,473	**49,296**	51,175	**301,267**	350,648
Unallocated liabilities					**981,374**	1,001,986
Total liabilities					**1,282,641**	1,352,634
Other segment information:						
Capital expenditure	**308**	3,623	**–**	–	**308**	3,623
Depreciation	**330**	343	**177**	189	**507**	532
Gain on disposal of items of properties, plant and equipment	**–**	52	**–**	–	**–**	52
Changes in fair value of investment properties	**169,433**	124,897	**–**	–	**169,433**	124,897
Write-off of aged liabilities	**(20,571)**	–	**–**	–	**(20,571)**	–
Interest on a loan from a director					**6,155**	6,305

Geographical information

Revenues are attributed to the segments based on the locations of the customers, and assets are attributed to the segments based on the locations of the assets. No geographical information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Information about major customers

Revenues from four (2014: four) customers, each of whom accounted for revenue exceeding 10% of the Group's total revenues, amounted to approximately HK$37,392,000 (2014: HK$38,304,000).

5. REVENUE

Revenue represents gross income from letting of investment properties, after elimination of all significant intra-group transactions less any applicable turnover taxes.

	2015 HK$'000	2014 HK$'000
Income from letting of investment properties	**37,392**	38,304

6. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on:		
Bank loans	**2,501**	3,527
Finance lease	**4**	15
Loan from a director	**6,155**	6,305
	8,660	9,847

7. PROFIT BEFORE TAX

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

	2015 HK$'000	2014 HK$'000
Depreciation	**507**	532
Minimum lease payments under operating leases on land and buildings	**2,056**	2,225
Employee benefit expense (including directors' and chief executive's remuneration – *note 8*):		
Wages and salaries	**6,432**	6,215
Pension scheme contributions#	**280**	302
	6,712	6,517
Auditors' remuneration	**1,800**	1,768
Foreign exchange differences, net	**482**	247
Bank interest income	**(94)**	(169)
Changes in fair value of investment properties	**(169,433)**	(124,897)
Gain on disposal of items of property, plant and equipment	**–**	(52)
Write-off of aged liabilities ##	**(20,571)**	–

At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2014: Nil).

Certain aged liabilities were outstanding for years without receiving any requests for payments. This item is included in "Other income" on the face of consolidated income statements.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

2015

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Director				
Ho Kam Hung*	2,400	–	36	2,436
Non-executive Director				
Young Kwok Sui	282	–	–	282
Independent Non-executive Directors				
Tam Kong, Lawrence	166	–	–	166
Wong Miu Ting, Ivy	166	–	–	166
Wong Kui Fai	166	–	–	166
	498	–	–	498
	3,180	–	36	3,216

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

2014

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive Director				
Ho Kam Hung*	2,400	–	34	2,434
Non-executive Director				
Young Kwok Sui	282	–	–	282
Independent Non-executive Directors				
Tam Kong, Lawrence	166	–	–	166
Wong Miu Ting, Ivy	166	–	–	166
Wong Kui Fai	166	–	–	166
	498	–	–	498
	3,180	–	34	3,214

* Ho Kam Hung is the Managing Director of the Company, which has a similar capacity as a chief executive officer of the Company.

The Executive Director of the Company is the key management personnel of the Group.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2014: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2014: three) highest paid employees who are neither a director nor chief executive of the Company for the year are as follows:

	2015	2014
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,426**	1,426
Pension scheme contributions	**48**	45
	1,474	1,471

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2015	2014
Nil to HK$1,000,000	**3**	3

During the year, no emoluments were paid by the Group to the non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. INCOME TAX EXPENSE

	2015	2014
	HK$'000	HK$'000
Current – elsewhere		
Charge for the year	**4,500**	3,661
Deferred *(note 22)*	**42,358**	31,225
Total tax charge for the year	**46,858**	34,886

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

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates. The subsidiaries established in Mainland China are subject to income taxes at a tax rate of 25% (2014: 25%).

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

2015

	Hong Kong	**Mainland China**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Profit/(loss) before tax	**(12,765)**	**199,608**	**186,843**
Tax at the statutory tax rate	**(2,106)**	**49,902**	**47,796**
Expenses not deductible for tax	**2,106**	**2,099**	**4,205**
Others	**–**	**(5,143)**	**(5,143)**
Tax charge at the Group's effective rate	**–**	**46,858**	**46,858**

2014

	Hong Kong	Mainland China	Total
	HK$'000	HK$'000	HK$'000
Profit/(loss) before tax	(12,793)	139,544	126,751
Tax at the statutory tax rate	(2,111)	34,886	32,775
Expenses not deductible for tax	2,111	–	2,111
Tax charge at the Group's effective rate	–	34,886	34,886

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$28,736,000 (2014: HK$16,438,000), and the weighted average number of ordinary shares of 605,616,520 (2014: 605,616,520 (restated)) in issue during the year.

The weighted average number of ordinary shares for the purposes of basic and diluted earnings per share for the years ended 31 December 2015 and 2014 have been adjusted to reflect the impact of the share subdivision effected during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

12. PROPERTY, PLANT AND EQUIPMENT

2015	Land and buildings HK$'000	Leasehold improvements HK$'000	Equipment HK$'000	Computer and office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:						
At 1 January 2015	**10,141**	**580**	**500**	**408**	**4,493**	**16,122**
Exchange realignment	**(568)**	**(13)**	**(14)**	**(10)**	**(29)**	**(634)**
At 31 December 2015	**9,573**	**567**	**486**	**398**	**4,464**	**15,488**
Accumulated depreciation:						
At 1 January 2015	**4,058**	**580**	**431**	**398**	**4,210**	**9,677**
Provided during the year	**277**	**–**	**8**	**4**	**218**	**507**
Exchange realignment	**(238)**	**(13)**	**(12)**	**(9)**	**(27)**	**(299)**
At 31 December 2015	**4,097**	**567**	**427**	**393**	**4,401**	**9,885**
Net book value:						
At 31 December 2015	**5,476**	**–**	**59**	**5**	**63**	**5,603**
2014						
At cost:						
At 1 January 2014	10,384	586	507	413	4,902	16,792
Disposals	–	–	–	–	(391)	(391)
Exchange realignment	(243)	(6)	(7)	(5)	(18)	(279)
At 31 December 2014	10,141	580	500	408	4,493	16,122
Accumulated depreciation:						
At 1 January 2014	3,867	586	428	398	4,381	9,660
Provided during the year	284	–	8	4	236	532
Disposals	–	–	–	–	(391)	(391)
Exchange realignment	(93)	(6)	(5)	(4)	(16)	(124)
At 31 December 2014	4,058	580	431	398	4,210	9,677
Net book value:						
At 31 December 2014	6,083	–	69	10	283	6,445

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles at 31 December 2015 was Nil (2014: HK$231,000).

13. INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**3,986,250**	3,951,360
Additions	**308**	3,623
Changes in fair value recognised in the income statement (*note 7*)	**169,433**	124,897
Exchange realignment	**(230,131)**	(93,630)
Carrying amount at 31 December	**3,925,860**	3,986,250

The Group's investment properties consist of two commercial properties in Chongqing and Guangzhou, the PRC. The directors of the Company have determined that the investment properties consist of only one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property.

The Group's investment properties located in Chongqing and Guangzhou, the PRC, were revalued on 31 December 2015 based on valuations performed by Savills Valuation and Professional Services Limited and Vigers Appraisal and Consulting Limited, independent professionally qualified valuers, at HK$409,460,000 (2014: HK$423,750,000) and HK$3,516,400,000 (2014: HK$3,562,500,000), respectively.

Each year, the Group appoints external valuers to be responsible for the external valuations of the Group's properties. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained. The management discusses with the valuers on the valuation assumptions and valuation results when the valuations are performed for financial reporting.

There has been no change in the valuation technique used in prior years. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 28(i) to the financial statements.

At the end of the reporting period, certain of the Group's investment properties were pledged to secure banking facilities granted to the Group as set out in note 20 to the financial statements.

13. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy

The fair values of the Group's investment properties at 31 December 2015 and 2014 are estimated by using significant unobservable inputs and the fair value measurements are categorised under Level 3.

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

	Chongqing, the PRC HK$'000	Guangzhou, the PRC HK$'000
Carrying amount at 1 January 2015	**423,750**	**3,562,500**
Additions	**308**	**–**
Changes in fair value recognised in the income statement	**9,533**	**159,900**
Exchange realignment	**(24,131)**	**(206,000)**
Carrying amount at 31 December 2015	**409,460**	**3,516,400**
Carrying amount at 1 January 2014	431,360	3,520,000
Additions	1,108	2,515
Changes in fair value recognised in the income statement	1,412	123,485
Exchange realignment	(10,130)	(83,500)
Carrying amount at 31 December 2014	423,750	3,562,500

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

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Class of property	Valuation techniques	Significant unobservable inputs	Weighted average of unobservable inputs 2015	2014
Chongqing, the PRC – Commercial properties – Level 3	Income capitalisation approach	Capitalisation rate per annum *(note 1)*	**8%**	8%
Guangzhou, the PRC – Commercial properties – Level 3	Market comparable approach	Gross unit rate per square metre *(note 2)*	**HK$17,784**	HK$17,646

Notes:

1. The higher the capitalisation rate per annum, the lower the fair value.
2. The higher the gross unit rate per square metre, the higher the fair value.

14. INVESTMENTS IN JOINT VENTURES

	2015 HK$'000	2014 HK$'000
Share of net assets	–	–

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

Name	Business structure	Place of incorporation and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
I-Mall Investments Limited	Corporate	British Virgin Islands	68.6	33.3	68.6	Dormant
B2B Market Investments Limited	Corporate	British Virgin Islands	35.0	33.3	35.0	Dormant

All of the above investments in joint ventures are directly held by I-Action Agents Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

The Group has discontinued the recognition of its share of losses of I-Mall Investments Limited and B2B Market Investments Limited because the share of losses of these joint ventures exceeded the Group's interests in the joint ventures and the Group has no obligation to take up further losses. At 31 December 2015, the amount of the Group's unrecognised share of losses of these joint ventures cumulatively was HK$8,614,000 (2014: HK$8,614,000).

15. TRADE RECEIVABLES

An aged analysis of the trade receivables at the end of the reporting period is as follows:

	2015		2014	
	HK$'000	**Percentage**	HK$'000	Percentage
Within 6 months	**7,131**	**50**	7,486	55
6 to 12 months	**7,080**	**50**	6,194	45
	14,211	**100**	13,680	100

The Group generally grants a credit term of 3 months to 12 months to its customers.

The age of the Group's trade receivables is based on the date of recognition of revenue and the due date of instalments as stipulated in the sale contracts. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

At 31 December 2015, the Group has certain concentration of credit risk that may arise from the exposure to two customers (2014: two) and the largest customer which accounted for 100% (2014: 100%) and 50.2% (2014: 52.2%) of the Group's total trade receivables, respectively.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2015	2014
	HK$'000	HK$'000
Neither past due nor impaired	**14,211**	13,680

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

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

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	332	352
Deposits and other receivables	13,392	14,054
	13,724	14,406

At 31 December 2015, impairment provision of HK$1,901,000 (2014: HK$1,901,000) has been made on other receivables with an aggregate carrying amount before impairment provision of HK$1,901,000 (2014: HK$1,901,000) that have been outstanding for a long time. Other than this, none of the above deposits and other receivables was either past due or impaired at 31 December 2015 and 2014. The financial assets included in the above balances relate to receivables for which there was no recent history of default. On 22 March 2016, Ho Kam Hung, a director of the Company, has indemnified the Company from any losses arising from an other receivable of RMB9,706,000 (equivalent to HK$11,453,000). The indemnity covers the period from 1 January 2016 to 31 December 2016.

17. CASH AND BANK BALANCES

At the end of the reporting period, total cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$15,592,000 (2014: HK$32,043,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

18. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	2015		2014	
	HK$'000	Percentage	HK$'000	Percentage
More than 1 year	2,053	100	2,174	100

The age of the Group's trade payables is based on the dates of the goods received or services rendered. The trade payables are non-interest-bearing.

19. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Other payables	**123,369**	126,064
Accrued deferred interest on the Remaining Tranches in relation to the Acquisition *(note 33)*	**25,837**	25,837
Other accruals	**16,674**	30,410
	165,880	182,311
Less: current portion	**(25,717)**	(50,601)
Non-current portion	**140,163**	131,710

The balances of other payables and accruals are non-interest-bearing and have no fixed terms of repayment, except for an amount of HK$140,163,000 (2014: HK$131,710,000) which is not repayable before 31 March 2017.

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	2015 HK$'000	Effective interest rate (%)	Maturity	2014 HK$'000
Current						
Finance lease payables	**–**	**–**	**–**	5.89	2015	164
Bank loans – secured	**5.88 – 6**	**2016**	**9,213**	6 – 7.38	2015	8,770
			9,213			8,934
Non-current						
Bank loans – secured	**5.88 – 6**	**2017-2019**	**22,772**	6 – 7.38	2016 – 2019	33,446
			31,985			42,380

20. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2015 HK$'000	2014 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	9,213	8,770
In the second year	8,924	9,397
In the third to fifth years, inclusive	13,848	24,049
	31,985	42,216
Other borrowings repayable:		
Within one year	–	164
	31,985	42,380

At 31 December 2015, the secured bank loans of HK$31,985,000 (2014: HK$42,216,000) of the Group bore interest at floating interest rates. At 31 December 2014, the finance lease payable of HK$164,000 of the Group bore interest at a fixed interest rate. Secured bank loans of HK$5,645,000 (2014: HK$8,433,000) and finance lease payables of the Group are denominated in Hong Kong dollars. The remaining secured bank loans of HK$26,340,000 (2014: HK$33,783,000) are denominated in RMB.

At 31 December 2015 and 2014, bank loans are secured by certain of the Group's investment properties, a corporate guarantee executed by the Company and a personal guarantee executed by one of the Company's substantial shareholders, Ho Pak Hung.

20. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Finance lease payables

The Group leased certain of its motor vehicles at 31 December 2014 for its business use. These leases were classified as finance leases and had lease terms of five years. During the year ended 31 December 2015, the finance lease payables were fully settled.

At 31 December 2015 and 2014, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2015 HK$'000	Minimum lease payments 2014 HK$'000	**Present value of minimum lease payments 2015 HK$'000**	Present value of minimum lease payments 2014 HK$'000
Amounts payable:				
Within one year	–	170	–	164
Total minimum finance lease payments	–	170		
Future finance charges	–	(6)		
Total net finance lease payables	–	164		
Portion classified as current liabilities	–	(164)		
Non-current portion	–	–		

21. BALANCES WITH A DIRECTOR

The loan from a director (the "Loan"), which is unsecured and bears interest at 7.821% (2014: 7.821%) per annum, is due to Ho Kam Hung, a director of the Company. The balance due to a director (the "Balance"), which is unsecured and interest-free, is due to Ho Kam Hung, a director of the Company. Ho Kam Hung has undertaken to the Company not to demand repayment of the Loan and the Balance until the Group is able to generate sufficient cash inflows to meet its daily working capital requirement but in any event such repayment request will not be made on or before 31 March 2017 and accordingly the Loan and the Balance are included under non-current liabilities.

22. DEFERRED TAX

The movements in deferred tax liabilities during the year were as follows:

Deferred tax liabilities

	2015 Fair value adjustments on investment properties HK$'000	2014 Fair value adjustments on investment properties HK$'000
At 1 January	**839,148**	827,567
Deferred tax charged to the income statement during the year *(note 10)*	**42,358**	31,225
Exchange realignment	**(48,714)**	(19,644)
Gross deferred tax liabilities at 31 December	**832,792**	839,148

The Group has tax losses arising in Hong Kong of HK$156,000 (2014: HK$156,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in group companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. At 31 December 2015, the aggregate amount of temporary differences associated with these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$513,258,000 (2014: HK$360,507,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23. SHARE CAPITAL

Shares

	2015 HK$'000	2014 HK$'000
Authorised:		
4,000,000,000 (2014: 1,000,000,000) ordinary shares of HK$0.025 (2014: HK$0.10) each	**100,000**	100,000
Issued and fully paid:		
605,616,520 (2014: 151,404,130) ordinary shares of HK$0.025 (2014: HK$0.10) each	**15,140**	15,140

During the year, the Company has proposed a share subdivision as to each of the existing issued and unissued shares of par value of HK$0.1 each in the share capital of the Company be subdivided into four subdivided shares of par value of HK$0.025 each in respect of the authorised and issued share capital of the Company. On 25 June 2015, the effective date of the proposed share subdivision, the authorised share capital of the Company has become HK$100,000,000 divided into 4,000,000,000 ordinary shares of HK$0.025 each, of which 605,616,520 ordinary shares has been in issue and fully paid.

Except for the above changes, there was no movement in the Company's issued ordinary share capital and share premium during the years.

24. SHARE OPTION SCHEME

The Company's share option scheme was adopted on 19 December 2012 (the "Scheme").

The purposes of the Scheme are to: (a) provide a way of recognition of the contributions or services or expected contributions or services of employees, executive and non-executive directors and others; (b) strengthen the relationships between the Group and its employees and directors and others; (c) attract and retain high quality employees and executives and providers of goods and services; and (d) motivate eligible participants to assist in the development and expansion of the Group.

The eligible participants are any executives or non-executive directors or employees (full-time or part-time) of any member of the Group and any other persons whether or not employees (full-time or part-time) or directors of any member of the Group who, in the sole discretion of the board of directors (the "Board"), have contributed or are likely to contribute to the Group. The Scheme became effective on 19 December 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

24. SHARE OPTION SCHEME (CONTINUED)

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

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board and may commence and end on any dates as determined by the Board but shall in any event end not later than 10 years from the date upon which the share option is granted.

The exercise price of the share options is determinable by the Board, but must be at least the highest of (1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (2) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (3) the par value of the Company's shares.

There were no share options in issue under the Scheme during the year. At the end of the reporting period and the date of approval of these financial statements, the Company had no share options outstanding under the Scheme.

25. RESERVES

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor.

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions:

(i) During the year ended 31 December 2015, interest on a loan from a director, Ho Kam Hung, of HK$6,155,000 (2014: HK$6,305,000) was settled through the balance due to a director.

(ii) During the year ended 31 December 2015, certain accruals and other payables of HK$3,100,000 (2014: Nil) were settled through current account between the Group and a director, Ho Kam Hung.

(iii) During the year ended 31 December 2014, properties with net book value of HK$2,515,000 were transferred from "Properties held for sale" to "Investment properties" for the compensation of properties demolition matters.

27. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2015 **HK$'000**	2014 HK$'000
Guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties	**139**	139

28. OPERATING LEASE ARRANGEMENTS

(i) As lessor

The Group leases certain of its investment properties under operating lease arrangements with leases negotiated for a term of one year.

At the end of the reporting period, the Group had no future minimum lease receivables under non-cancellable operating leases with its tenants.

(ii) As lessee

The Group leases its office properties in Hong Kong under operating lease arrangements with leases negotiated for a term of two years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**445**	1,778
In the second to fifth years, inclusive	**–**	445
	445	2,223

29. COMMITMENTS

At the end of the reporting period, the Group had contracted, but not provided for, commitments in respect of construction works and design cost relating to investment properties amounting to approximately HK$2,005,000 (2014: HK$2,436,000) in total.

30. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	Loans and receivables 2015 HK$'000	Loans and receivables 2014 HK$'000
Trade receivables	**14,211**	13,680
Financial assets included in prepayments, deposits and other receivables	**13,392**	14,054
Cash and bank balances	**18,584**	44,412
	46,187	72,146

Financial liabilities

	Financial liabilities at amortised cost 2015 HK$'000	Financial liabilities at amortised cost 2014 HK$'000
Trade payables	**2,053**	2,174
Financial liabilities included in other payables and accruals	**19,613**	22,665
Loan from a director	**75,496**	79,975
Due to a director	**133,394**	166,163
Long term other payables	**140,163**	131,710
Interest-bearing bank and other borrowings	**31,985**	42,380
	402,704	445,067

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise interest-bearing bank and other borrowings and cash and bank balances. The Group has various other financial assets and liabilities such as trade and other receivables, trade payables, other payables and accruals and balances with directors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest rates of the interest-bearing bank and other borrowings of the Group are disclosed in note 20 to the financial statements. The Group believes its exposure to interest rate risk is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2015		
Hong Kong dollar	**50**	**(160)**
Hong Kong dollar	**(50)**	**160**
2014		
Hong Kong dollar	50	(211)
Hong Kong dollar	(50)	211

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from substantial portion of its revenues and expenses which are generated and incurred by its operating units in RMB.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000
2015		
If Hong Kong dollar weakens against RMB	**5**	**282**
If Hong Kong dollar strengthens against RMB	**(5)**	**(282)**
2014		
If Hong Kong dollar weakens against RMB	5	422
If Hong Kong dollar strengthens against RMB	(5)	(422)

Credit risk

The credit risk of the Group's financial assets, which comprise trade receivables, other receivables and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The directors of the Company have reviewed the Group's working capital and capital expenditure requirements and determined that the Group has no significant liquidity risk.

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

	2015		
	On demand or within 1 year HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Trade payables	**2,053**	**–**	**2,053**
Financial liabilities included in other payables and accruals	**19,613**	**–**	**19,613**
Loan from a director	**–**	**81,401**	**81,401**
Due to a director	**–**	**133,334**	**133,334**
Long term other payables	**–**	**140,163**	**140,163**
Interest-bearing bank borrowings	**10,847**	**24,707**	**35,554**
	32,513	**379,605**	**412,118**

	2014		
	On demand or within 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	2,174	–	2,174
Financial liabilities included in other payables and accruals	22,665	–	22,665
Loan from a director	–	86,230	86,230
Due to a director	–	166,163	166,163
Long term other payables	–	131,710	131,710
Finance lease payables	174	–	174
Interest-bearing bank borrowings	11,494	38,115	49,609
	36,507	422,218	458,725

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and bank balances and equity attributable to equity holders of the Company, which comprises issued capital and reserves as detailed in the consolidated statement of changes in equity.

The Group monitors capital using a gearing ratio, which is interest-bearing borrowings divided by total assets. Interest-bearing borrowings included interest-bearing bank and other borrowings and a loan from a director. The gearing ratios as at the end of the reporting periods were as follows:

	2015 **HK$'000**	2014 HK$'000
Interest-bearing bank and other borrowings	**31,985**	42,380
Loan from a director	**75,496**	79,975
Total interest-bearing borrowings	**107,481**	122,355
Total non-current assets	**3,931,463**	3,992,695
Total current assets	**83,211**	111,367
Total assets	**4,014,674**	4,104,062
Gearing ratio	**0.03**	0.03

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**290,218**	290,218
Due from subsidiaries	**232,184**	244,459
Total non-current assets	**522,402**	534,677
CURRENT ASSETS		
Deposits and other receivables	**585**	585
Cash and bank balances	**63**	73
Total current assets	**648**	658
CURRENT LIABILITIES		
Other payables and accruals	**(4,528)**	(7,486)
Tax payable	**(1,148)**	(1,148)
Total current liabilities	**(5,676)**	(8,634)
NET CURRENT LIABILITIES	**(5,028)**	(7,976)
TOTAL ASSETS LESS CURRENT LIABILITIES	**517,374**	526,701
NON-CURRENT LIABILITIES		
Long term other payables	**(27,181)**	(27,181)
Amount due to a director	**(3,100)**	–
Total non-current liabilities	**(30,281)**	(27,181)
Net assets	**487,093**	499,520
EQUITY		
Share capital	**15,140**	15,140
Reserves *(note)*	**471,953**	484,380
Total equity	**487,093**	499,520

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

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

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	**398,726**	**547,326**	**(461,672)**	**484,380**
Loss for the year	**–**	**–**	**(12,427)**	**(12,427)**
At 31 December 2015	**398,726**	**547,326**	**(474,099)**	**471,953**
At 1 January 2014	398,726	547,326	(449,169)	496,883
Loss for the year	–	–	(12,503)	(12,503)
At 31 December 2014	398,726	547,326	(461,672)	484,380

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and business	Issued and fully paid share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2015	2014	
Directly held					
China Land Realty Investment (BVI) Limited	British Virgin Islands/Hong Kong	US$11,204 Ordinary	**100**	100	Investment holding
Indirectly held					
Chongqing Smart Hero Real Estate Development Company Limited ("CQ Smart Hero")	PRC/ Mainland China	US$2,000,000 Registered capital *(note a)*	**100**	100	Property development, holding and management
Smart Hero (Holdings) Limited	Hong Kong	HK$2 Ordinary, HK$300 Non-voting deferred *(note b)*	**100**	100	Investment holding
Proland International Technology Limited	Hong Kong	HK$2 Ordinary	**100**	100	Investment holding
廣州遠朋天成電子科技有限公司	PRC/ Mainland China	HK$1,500,000 Registered capital *(note a)*	**100**	100	Inactive
Zheng Da Real Estate Development Company Limited ("HK Zheng Da")	Hong Kong	HK$4 Ordinary *(note c)*	**25**	25	Investment holding
廣州市正大房地產開發有限公司 ("GZ Zheng Da")	PRC/ Mainland China	RMB150,000,000 Registered capital *(notes a, c, d and e)*	**25**	25	Property investment business

The above table lists the subsidiaries of the Company at 31 December 2015 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

a. CQ Smart Hero, 廣州遠朋天成電子科技有限公司 and GZ Zheng Da are wholly-foreign-owned enterprises established in the PRC.

b. The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the company, or to participate in any distribution on winding-up.

c. The Group entered into a conditional sale and purchase agreement on 9 October 2007 (as amended on 26 October 2007) (the "Acquisition Agreement") with two private companies (the "Vendors") to acquire the entire equity interest in HK Zheng Da and GZ Zheng Da (collectively the "Zheng Da Group") (the "Acquisition"). The acquisition of the entire equity interest in the Zheng Da Group is to be completed in four tranches. The first tranche was completed on 17 December 2007 and, as a result, the Group has acquired a 25% equity interest in HK Zheng Da. According to the Acquisition Agreement, the Group had the currently exercisable right to acquire and complete the acquisition of the remaining 75% equity interest in HK Zheng Da up to 31 March 2009. Therefore, the Company has obtained the exercisable potential voting rights over HK Zheng Da, and hence the Company has potential power to govern the financial and operating policies of the Zheng Da Group and the directors considered it is appropriate to account for HK Zheng Da and GZ Zheng Da as subsidiaries of the Group since 17 December 2007.

   In accordance with the Acquisition Agreement, the second, third and fourth tranches (the "Remaining Tranches") had to be completed on or before 31 May 2008, 31 October 2008 and 31 March 2009, respectively. Should the Remaining Tranches not be completed according to the dates specified above, a deferred interest would be incurred which was calculated based on a rate of 4% per annum on the relevant consideration based on the period from the relevant completion date of each tranche as mentioned above and ending on and excluding the day when the relevant consideration was settled by the Company or 31 March 2009, whichever the earlier.

   During the years ended 31 December 2009, 2010, 2011, 2012, 2013 and 2014, the Company entered into the second, third, fourth, fifth, sixth, seventh, eighth and ninth was supplementary agreements with the Vendors to extend the completion of the Remaining Tranches to 30 June 2009, 31 December 2009, 30 June 2010, 30 June 2011, 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015, respectively. No deferred interest was required for the period of extension from 1 April 2009 to 30 June 2015. During the current reporting period, the Company entered into a tenth supplementary agreement on 2 June 2015 to extend the completion of the Remaining Tranches from 30 June 2015 to 30 June 2016. No deferred interest is required for this period of extension too. Accordingly, the Company has accrued deferred interest of HK$10,086,000 for the period from 1 January 2009 to 31 March 2009 in accordance with the original agreement during the year ended 31 December 2009. At 31 December 2009, the Group has accrued aggregated deferred interest of HK$25,837,000 (note 19). At the end of the reporting period and up to the date of this report, the completion of the Remaining Tranches remained outstanding.

d. Subject to the payment of a fixed sum of RMB50,000 per month for 200 months up to 28 February 2011 to the joint venture party, HK Zheng Da is entitled to all of the profits and bears all of the losses of GZ Zheng Da.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

e. Alleged "Liquidation Petition" against GZ Zheng Da

Public Database of GZ Zheng Da Corporation Information indicates information of alleged "Liquidation Provisional Filed (清算備案)"

Pursuant to the Provisional Rules of Public Notice of Corporate Information of People's Republic of China (中華人民共和國企業信息公示暫行條例) newly enacted in October 2014, the Public Database of National Enterprise Credit Information (Guangdong) (全國企業信用信息公示系統（廣東）) on GZ Zheng Da downloaded in March 2015 reveals certain newly appeared information under the Provisional Filing Information Column (備案信息欄目) viz "Liquidation Information (清算信息) ", "Liquidation Officer-In-Charge He Wei (清算負責人何偉) " and "Member of Liquidation Committee Guangdong Guoding Law Firm (清算組成員廣東國鼎律師事務所)". The alleged "Liquidation Provisional Filed (清算備案)" remains posted under the Provisional Filing Information Column (備案信息欄目) in March 2016.

According to the Corporate Registration Information Memorandum (企業登記資料包) obtained from the Guangzhou Administration for Industry & Commerce Bureau (廣州市工商行政管理局) (the "AIC Bureau") by GZ Zheng Da (being exclusive information to the subject corporation), a third party namely Guangdong Guoding Law Firm (廣東國鼎律師事務所) ("Guoding") filed an Application Form for Notification of Change (Provisional Filing) of Foreign Investment Enterprise (外商投資企業變更（備案）登記申請書) (the "Application Form"), together with a copy of purported order of the Guangdong Provincial Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院決定書) (the "Purported Court Order") as supporting document, to the AIC Bureau without the prior acknowledgment nor consent of GZ Zheng Da in September 2011. The Application Form requested for filing of "Provisional Filing of Member of the Liquidation Committee (清算組成員備案)" and "Provisional Filing of Liquidation Officer-In-Charge (清算負責人備案)" in the corporate information database of GZ Zheng Da at the AIC Bureau. Copy of the Purported Court Order stated that "the court has nominated Guoding as the liquidation committee to proceed with the liquidation of GZ Zheng Da in accordance with the law (已指定國鼎組成清算組，依法對廣州正大進行清算)".

GZ Zheng Da confirmed to the Company that it had never authorised, appointed or instructed Guoding or He Wei to file or handle such application, nor granted consent to such application thereafter. GZ Zheng Da and HK Zheng Da, being the equity holder of GZ Zheng Da holding 100% interest therein, also confirmed to the Company that they had never been served any statements of instigation of proceedings, notice of summons or notice of judgement, orders (including the Purported Court Order or order of a similar nature) or written judgement(s) in relation to liquidation petition or of a similar nature (the "Purported Liquidation Petition Case") from the Guangdong Provincial Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院)(the "Guangzhou Court") in accordance with the prevailing PRC laws and regulations and due judicial procedures. Both the Company and GZ Zheng Da further confirmed that they were unable to find any "public official record" about the Purported Liquidation Petition Case (not even the relevant case number) from the official database or public notice board of the Guangzhou Court so far.

According to the Purported Court Order, it appears that the purported liquidation petition was instituted by 越房私企 (as defined in note 34(a)), a third party neither had any equity or any other interests in GZ Zheng Da nor was a creditor of GZ Zheng Da. Hence, the PRC legal counsel of GZ Zheng Da considers that 越房私企 unlikely meets the pre-requisite conditions for filing a liquidation petition against GZ Zheng Da pursuant to the prevailing company laws and regulations of the PRC.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

e. Alleged "Liquidation Petition" against GZ Zheng Da (continued)

Public Database of GZ Zheng Da Corporation Information indicates information of alleged "Liquidation Provisional Filed (清算備案)" (continued)

Based on the record and facts known to the Company and GZ Zheng Da and having taken PRC legal advice, both the Company and GZ Zheng Da are of the view that (i) the legal proceedings of the Purported Liquidation Petition Case (if any) do not conform to the legal provisions and judicial procedures in Mainland China; (ii) the Purported Court Order (if any) is not effective disposition of the matter to which it purportedly relates and thus is invalid and void; and (iii) the purported authority of the so-called liquidation committee of GZ Zheng Da is derived from the Purported Court Order which is invalid and void. Therefore, Guoding does not have the lawful authority to proceed with liquidation of GZ Zheng Da or file corporate information about GZ Zheng Da with the AIC Bureau (or for any other purposes) for and on behalf of GZ Zheng Da.

According to the relevant provisions of the Rules of Administration of Company Registration of People's Republic of China (中華人民共和國公司登記管理條例) (the "Company Registration Rules"), the provisional filing of liquidation information with the AIC Bureau requires the consent of the subject company (with company chop shown on the application form) and other requisite legal documents, such as company dissolution documents (公司解散證明文件), as supporting documents. No such supporting documents nor GZ Zheng Da's company chop were found on the Application Form submitted by Guoding. After taking PRC legal advice, both the Company and GZ Zheng Da consider that the Application Form submitted to the AIC Bureau by Guoding violates the relevant provisions of the Company Registration Rules to a material extent and the provisonal filing under concern should be rendered "application declined (申請退回)". In November 2014, GZ Zheng Da, through a national congress representative, had filed a submission to the Guangdong Provincial Higher People's Court (廣東省高級人民法院)(the "Guangdong Court") to express its grave concern about the Purported Liquidation Petition Case (including the Purported Court Order) and related issues but no formal reply was received from them to-date.

The latest Business Record Information (商事登記信息) of GZ Zheng Da retrieved from the AIC Bureau in mid March 2016, which is regarded as public information, indicates that the principal status (主體狀態) and legal representative (法定代表人) of GZ Zheng Da are "business commenced (已開業)" and "Ho Kam Hung" respectively. The business of GZ Zheng Da remains as usual and GZ Zheng Da's latest tax return was filed in May 2015. Mr. Ho Kam Hung, an executive director of the Company, has been the legal representative of GZ Zheng Da since 1993.

Shareholders of the Company are urged to read the Company's announcement dated 25 March 2013 about the lawful authority of the purported "liquidation committee of GZ Zheng Da" in question.

The Second and Unqualified Person appearing on the Demolition Permit and the Demolition Extension Notice

Since 2003, GZ Zheng Da has been granted the Qualified Person for Demolition and Relocation (the "Qualified Person 拆遷人") (which was required to demonstrate substantial capital resources, property development plan on hand, concrete property demolition and relocation plan pursuant to the provisions of Rules of Management of Urban Property Demolition and Relocation of Guangzhou Municipality (廣州市城市房屋拆遷管理條例) (the "Demolition Management Rules")) and the Qualified Contractor for Demolition and Relocation (the "Qualified Contractor 拆遷實施單位") (which was required to demonstrate substantial hands-on experience in property demolition and relocation projects and hiring extensive construction and engineering professionals pursuant to the provisions of the Demolition Management Rules) by the Guangzhou Municipal Administration of National Resources and Property Bureau (廣州市國土資源和房屋管理局) ("Property Administration Bureau") to the effect that GZ Zheng Da was empowered to demolish a property located in Yuexiu District, Guangzhou within about one year under the license of a property demolition and relocation permit (房屋拆遷許可證) (the "Demolition Permit"). Since then, GZ Zheng Da applied for extension of the Demolition Permit once every year and the Property Administration Bureau customarily renewed the Demolition Permit and the notice of extension of property demolition and relocation (房屋拆遷延期公告) (the "Demolition Extension Notice") every subsequent year.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

e. Alleged "Liquidation Petition" against GZ Zheng Da (continued)

The Second and Unqualified Person appearing on the Demolition Permit and the Demolition Extension Notice (continued)

The Demolition Extension Notices issued in 2014 and 2015 contained new clauses which included, inter alia, an entity named "the liquidation committee of GZ Zheng Da (廣州正大清算組)" (the so-called "Liquidator") as the secondary Qualified Person (第二拆遷人) and the secondary Qualified Contractor (第二拆遷實施單位) in addition to GZ Zheng Da which remained as the primary Qualified Person (第一拆遷人) and primary Qualified Contractor (第一拆遷實施單位). The Demolition Extension Notices also put a remark that "pursuant to the Purported Court Order, the Guangzhou Court nominated Guoding as the liquidation committee to proceed with the liquidation of GZ Zheng Da in accordance with the laws, and the demolition activities should be executed by the liquidation committee." (collectively the "New Clauses").

GZ Zheng Da confirmed to the Company that it had no acknowledge of the New Clauses until the renewal of the said extension notices nor concurred with such New Clauses thereafter and hence raised objection to the Property Administration Bureau about the imposition of the New Clauses. No formal reply was obtained from the Property Administration Bureau so far.

As such, an inhabitant to be vacated (被拆遷人) (the "Plaintiff") filed administrative pleadings (行政訴訟) against the Property Administration Bureau at the Guangdong Provincial Guangzhou Municipal Yuexiu District People's Court (廣東省廣州市越秀區人民法院) (the "Yuexiu Court") in May 2014. The administrative pleadings demanded for the revocation of the Demolition Extension Notice on the ground that the Property Administration Bureau should not grant the demolition extension to both GZ Zheng Da and the so-called Liquidator simultaneously as it is against common legal principle if GZ Zheng Da (which is subject to liquidation (if that is the case)) and the so-called Liquidator co-exist to engage in demolition activities. GZ Zheng Da, as one of the litigant participants, opposed to the grant of the qualified licenses to the so–called Liquidator as it was not lawfully constituted and the Property Administration Bureau would have breached the relevant provisions of the Demolition Management Rules if licenses were granted to unqualified entities for participating in demolition business. The Yuexiu Court dismissed the petition of the Plaintiff in August 2014.

Both GZ Zheng Da and the Plaintiff then filed administrative appeals (行政上訴) against the Property Administration Bureau at the Guangzhou Court (the "Administrative Appeals") thereafter based on similar grounds above. In June 2015, the Guangzhou Court issued the ruling on administrative proceedings (行政判決書) upheld the Yuexiu Court's ruling. The Plaintiff then lodged a judicial review (行政申訴) against the Guangzhou Court's ruling at the Guangdong Court, and the ruling remains pending as at the date of this report.

After seeking PRC legal advice, both the Company and GZ Zheng Da consider that (i) both the Demolition Permits and the Demolition Extension Notices to GZ Zheng Da are legally valid permit and notice despite their legal defects; (ii) the Yuexiu Court, the Guangzhou Court and the Property Administration Bureau all accept GZ Zheng Da as a separate legal entity; (iii) GZ Zheng Da remains as the Qualified Person and the Qualified Contractor and therefore can continue the demolition and relocation activities pursuant to the Demolition Permit; (iv) the purported authority of the so-called Liquidator is derived from the Purported Court Order which is invalid and void (please refer to the section headed "Public Database of GZ Zheng Da Corporation Information indicates information of alleged "Liquidation Temporarily Filed (清算備案)" "above for further details); (v) the capacity of the so-called Liquidator does not exist until and when Guoding removes the legal representative of GZ Zheng Da; (vi) the so-called Liquidator technically cannot co-exist with GZ Zheng Da to engage in same business activities; (vii) a liquidator is not empowered to engage in the businesses other than those specified under Clause 184 of Companies Law of People's Republic of China (中華人民共和國公司法), which do not include demolition and relocation businesses; (viii) a liquidator does not possess the pre-requisite qualifications (特定資質) and hands-on expertise in engaging in demolition and relocation businesses pursuant to the provisions of the Demolition Management Rules; and (ix) it appears that the Purported Court Order does not provide that "the demolition activities should be executed by the liquidation committee".

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

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

	2015	2014
Percentage of equity interest held by non-controlling interests	**75%**	75%

	2015 HK$'000	2014 HK$'000
Profit for the year allocated to non-controlling interests	**111,249**	75,427
Dividends paid to non-controlling interests	**–**	–
Exchange differences on translation of foreign operation	**(111,237)**	(44,805)
Accumulated balances of non-controlling interests at the reporting dates	**1,915,698**	1,915,686

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	2015 HK$'000	2014 HK$'000
Profit for the year	**148,332**	100,569
Total comprehensive income for the year	**16**	40,829
Current assets	**144,018**	132,690
Non-current assets	**3,516,424**	3,562,526
Current liabilities	**(38,463)**	(56,486)
Non-current liabilities	**(1,067,715)**	(1,084,482)
Net cash flows from operating activities	**108**	5,358
Net cash flows used in financing activities	**(506)**	(5,399)
Net decrease in cash and cash equivalents	**(398)**	(41)

34. LITIGATIONS

(a) Pursuant to the terms of the relevant joint venture agreement, the joint venture period of GZ Zheng Da was initially set for a term of 15 years commencing from 31 December 1993 to 31 December 2008 and can be further extended at the request of either foreign or sino partner upon maturity. In December 2008, both GZ Zheng Da and its foreign partner, HK Zheng Da, agreed to extend the joint venture period by 15 years with effect from 1 January 2009 in accordance with the provisions of the articles of GZ Zheng Da but its sino partner, 越秀房地產開發經營公司 ("越秀國企") had then become dormant a couple of years ago and therefore its consent could not be obtained. On the other hand, it appeared that another enterprise namely 越秀房地產開發經營有限公司 ("越房私企"), a privately owned enterprise which acquired certain assets (but interest in GZ Zheng Da not included) from 越秀國企 some years ago, claimed that it had taken up the certain interest in GZ Zheng Da from 越秀國企, but that was not the case. As such, in late December 2008, GZ Zheng Da served a writ against 越秀私企 at the Yuexiu Court demanding for confirmation of disqualification of 越房私企 from the sino partnership (if any) of the subject joint venture.

The relevant judgement was issued in July 2009 with rulings endorsing the forfeiture of the partnership qualification and legal entitlements of 越房私企 in the subject joint venture. 越房私企 then filed an appeal petition (the "Zheng Da Appeal") at the Guangzhou Court in August 2009. An hearing was made in October 2009 and no further hearings had been made since then. Both GZ Zheng Da and HK Zheng Da have not yet received a valid judgement in writing issued by the Guangzhou Court in accordance with the relevant PRC laws and due judicial procedures. Further details about the developments of, and events incidental to, the Zheng Da Appeal were disclosed in the Company's announcement dated 25 March 2013. Both GZ Zheng Da and HK Zheng Da had dialogues with the relevant court officials from time to time and are looking forward to receiving a formal and legally valid verdict, notice or directive in relation to the Zheng Da Appeal to be granted by the Guangzhou Court or its higher court in accordance with the relevant PRC laws and due judicial procedures. Taking into account the latest rulings granted by the Yuexiu Court in July 2009, the facts and legal grounds substantiated at the first hearing of the Zheng Da Appeal, and the opinion given by the PRC legal counsels and advisers, the Company remains optimistic in obtaining a favourable judgement in the Zheng Da Appeal.

34. LITIGATIONS (CONTINUED)

(b) In October 2013, the Property Administrative Bureau issued two rulings on property demolition (房屋拆遷決定書) (the "Compensation Rulings") to GZ Zheng Da pertaining to two compensation and resettlement cases for property demolition (房屋拆遷補償安置個案). The Compensation Rulings concluded that GZ Zheng Da was liable to pay an one-off cash compensation in an aggregate amount of about RMB27,600,000 (equivalent to HK$32,568,000 as at 31 December 2015) (the "Cash Compensation") to a group of claimants (the "Claimants").

In March 2014, the Guangzhou Municipal People's Government (廣州市人民政府) (the "Guangzhou Government") issued two rulings on administrative review (行政覆議決定書) revoking the Compensation Rulings. As a result, GZ Zheng Da's obligation of paying the Cash Compensation was discharged.

In June 2015, the Guangzhou Court issued two rulings on administrative proceedings (行政裁定書) declining the appeal made by the Claimants against the Guangzhou Government's rulings.

In December 2015, the Guangdong Court issued two rulings on administrative proceedings (行政裁定書) to the effect that (i) the Guangzhou Court's rulings were withdrawn; and (ii) the Guangzhou Court was ordered to re-hear the Claimants' appeal against the Guangzhou Government's rulings. As at the date of this report, the re-trial was not yet heard and the Guangzhou Government's rulings remain valid.

Taking into account the latest rulings granted by the Guangzhou Government, the facts and legal grounds substantiated, and the opinion given by the PRC legal counsels and adviser, the Company remains optimistic in obtaining a favourable judgement in the re-trial.

(c) In 2011, two plaintiffs, together with CQ Smart Hero, an indirect wholly-owned subsidiary of the Company, in its capacity as the third plaintiff, served a writ of summons against a third party (the "Third Party") at the Yuexiu Court in relation to a contract dispute (合同糾紛). The case was subsequently redirected to the Guangzhou Court for trial for the reason of jurisdiction of court. In September 2013, the Guangzhou Court ruled that CQ Smart Hero was liable to pay an accrued interest in an aggregate amount of approximately RMB10,500,000 to the Third Party. Subsequently, CQ Smart Hero, together with two plaintiffs, filed an appeal against the Guangzhou Court's rulings at the Guangdong Court.

In June 2015, the Guangdong Court upheld the Guangzhou Court's rulings but the claim that was liable to be borne by CQ Smart Hero was reduced to approximately RMB4,200,000. The Guangdong Court's rulings are final and absolute unless being revoked by judicial review (復審).

34. LITIGATIONS (CONTINUED)

(c) (continued)

The PRC legal counsel of CQ Smart Hero was of the view that judicial errors were made in the Guangdong Court's rulings and therefore were justifiable for pursuing judicial review (復審) with an aim to revoking its rulings. However, CQ Smart Hero, after careful and due considerations, concluded that additional management time and legal costs to be incurred would probably override the economic benefits to be derived from a favourable verdict of judicial review, if any, and resolved not to pursue the case further.

In February 2016, the Guangzhou Court confined the claim amount to approximately RMB3,743,000 (approximately HK$4,417,000), and a provision of the same amount was fully made in the Company's consolidated financial statements as at 31 December 2015.

(d) In April 2014, two civil claims were filed against CQ Smart Hero by a third party (the "CQ Third Party") at Chongqing Municipal Yuzhong District People's Court (重慶市渝中區人民法院) (the "Yuzhong Court") for an aggregate amount of about RMB5,167,000 plus accrued interests and costs. According to the writs, the CQ Third Party claimed certain damages in relation to a tenancy agreement executed between CQ Smart Hero and another third party in 2007 (the "Lease"). The CQ Third Party is neither a party to the Lease nor the beneficial or registered owner of the subject property under the Lease but claims to be the assignee of the Lease.

In February and March 2015, the Yuzhong Court respectively ruled that CQ Smart Hero was liable to compensate to the CQ Third Party in respect of both claims (the "Claims"). CQ Smart Hero then filed two appeals against the Yuzhong Court's rulings at the Chongqing Municipal Fifth Intermediate People's Court (重慶市第五中級人民法院) (the "Chongqing Court"). In May and August 2015, both appeals raised by CQ Smart Hero were turned down by the Chongqing Court. The Chongqing Court's rulings are final and absolute unless being revoked by judicial review (復審).

The PRC legal counsel of CQ Smart Hero was of the view that judicial errors were made in the Chongqing Court's rulings and therefore were justifiable for pursuing judicial reviews with an aim to revoking its rulings. However, CQ Smart Hero, after careful and due considerations, concluded that additional management time and legal costs to be incurred would probably override the economic benefits to be derived from a favourable verdict of judicial review, if any, and resolved not to pursue the case further.

The aggregate amount payable by CQ Smart Hero for the Claims would be approximately RMB2,467,000 (approximately HK$2,911,000), and a provision of the same amount was fully made in the Company's consolidated financial statements as at 31 December 2015.

34. LITIGATIONS (CONTINUED)

(e) During the year ended 31 December 2015, the Guangzhou Urban Management Integrated Enforcement Bureau Yuexiu Sub-Bureau (廣州市城市管理綜合執法局越秀分局) (the "Enforcement Bureau") issued a ruling on administrative disposition of illegal erection (違法建築行政處理決定書) (the "Ruling") to GZ Zheng Da to the effect that a 2-storey non-permanent commercial podium with a total usable area of about 14,700 square meter situated in the Yuexiu District was required to be demolished by GZ Zheng Da. In the Ruling, the Enforcement Bureau concluded, inter alia, that the subject property was deemed as an illegal erection as its occupancy permit had been expired. The Ruling, however, did not elaborate further why the renewal of the occupancy permit was not granted.

Notwithstanding the subject property is classified as non-permanent erection pending for re-development, it had obtained approvals and permits for town planning, construction, inspection, occupancy and fire safety from all relevant government authorities up-to-date and hence its standards for building and fire safety are comparable to those standards for permanent erections. In addition, GZ Zheng Da is of the view that the subject property would not be deemed as illegal erection if the occupancy permit could be reasonably renewed as permitted under the relevant laws and regulations and hence the prosecution in question should be immune. As such, GZ Zheng Da, together with six co-operative parties, served a writ against the Ruling at the Yuexiu Court in November 2015. As at the date of this report, the date of hearing was not yet fixed and the enforcement of the Ruling will be customarily suspended until judgement is made.

Taking into account the facts and legal grounds substantiated, and the opinion given by the PRC legal counsels and advisers, the Company remains optimistic in obtaining a favourable judgement in this case.

35. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances with related parties as detailed elsewhere in these financial statements, the Group also incurred an interest expense of HK$6,155,000 (2014: HK$6,305,000) in respect of a loan from a director, Ho Kam Hung, during the year. Details of a loan from a director were disclosed in note 21 to the financial statements.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2016.

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the respective published audited financial statements and as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**37,392**	38,304	38,304	35,055	34,200
Profit before tax	**186,843**	126,751	157,490	85,029	104,386
Income tax expense	**(46,858)**	(34,886)	(42,189)	(23,890)	(13,767)
Profit before non-controlling interests	**139,985**	91,865	115,301	61,139	90,619
Non-controlling interests	**(111,249)**	(75,427)	(90,561)	(47,410)	(57,979)
Profit for the year attributable to ordinary equity holders of the Company	**28,736**	16,438	24,740	13,729	32,640

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2015	2014	2013	2012	2011
	HK$'000	**HK$'000**	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**4,014,674**	4,104,062	4,067,186	3,804,361	3,679,056
TOTAL LIABILITIES	**(1,282,641)**	(1,352,634)	(1,342,727)	(1,257,995)	(1,233,354)
NON-CONTROLLING INTERESTS	**(1,915,698)**	(1,915,686)	(1,885,064)	(1,751,012)	(1,675,568)
	816,335	835,742	839,395	795,354	770,134

Schedule of Property Interests

Particular of the principal properties in Mainland China held by the Group at 31 December 2015 is as follows:

Investment Properties

Description		Use	Lease term	Approximate gross floor area (sq.m.)	Attributable percentage interest
1.	The whole of Level 1, Level 2, Level 3, Level 4, Level 8, Level 11, and portion of the Basement Level of Gang Yu Square Chiao Dong Road Chiaotianmen Chongqing The People's Republic of China	Commercial	Medium	24,372	100
2.	The Land Parcels located to the east of Jiefang Road South, to the south of Daxin Road; to the north of Yede Road and to the west of Xieen Street, Yuexiu District, Guangzhou Guangdong Province, The People's Republic of China	Commercial	Medium	233,818	25