



# Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 115)

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## Corporate Information

### EXECUTIVE DIRECTORS

Mr. Ma Xuemian (*Chairman*)  
Mr. Kwok Siu Bun  
Ms. Chow Kwai Wa, Anne  
Ms. Kwok Siu Wa, Alison

### NON-EXECUTIVE DIRECTOR

Ms. Tsang Tsz Tung, Debbie

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Pui Wai, Kimber  
Mr. Liu Chaodong  
Ms. Chui Wai Hung

### COMPANY SECRETARY

Mr. Cheung Yuk Chuen

### AUDIT COMMITTEE

Ms. Chui Wai Hung (*Chairman*)  
Mr. Hui Pui Wai, Kimber  
Mr. Liu Chaodong

### REMUNERATION COMMITTEE

Mr. Hui Pui Wai, Kimber (*Chairman*)  
Mr. Liu Chaodong  
Mr. Ma Xuemian  
Ms. Chui Wai Hung

### NOMINATION COMMITTEE

Mr. Liu Chaodong (*Chairman*)  
Mr. Ma Xuemian  
Ms. Chui Wai Hung

### CORPORATE GOVERNANCE COMMITTEE

Mr. Ma Xuemian (*Chairman*)  
Mr. Liu Chaodong  
Ms. Chui Wai Hung

### AUTHORIZED REPRESENTATIVES

Ms. Chow Kwai Wa, Anne  
Ms. Kwok Siu Wa, Alison

### REGISTERED OFFICE IN BERMUDA

Codan Services Limited  
Clarendon House,  
2 Church Street,  
Hamilton HM 11,  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1004B, 10/F,  
Tower 5, China Hong Kong City,  
33 Canton Road, Tsim Sha Tsui,  
Kowloon, Hong Kong

### LEGAL ADVISER ON BERMUDA LAW

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

### LEGAL ADVISER ON HONG KONG LAW

Simon Ho & Co. Solicitors  
Room 1502, 15th Floor,  
Hong Kong Trade Centre,  
161-167 Des Voeux Road Central,  
Hong Kong

### AUDITOR

ZHONGHUI ANDA CPA Limited  
Unit 701, 7/F., Citicorp Centre,  
18 Whitfield Road,  
Causeway Bay, Hong Kong

### PROPERTY VALUER

ROMA APPRAISALS LIMITED  
Unit 3806,  
38/F, China Resources Building,  
26 Harbour Road,  
Wan Chai, Hong Kong

### SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Codan Services Limited  
Clarendon House,  
2 Church Street,  
Hamilton HM 11,  
Bermuda

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

### PRINCIPAL BANKER

The Bank of East Asia, Limited

### WEBSITE

<http://www.gfghl.com>



## Chairman's Statement

Dear shareholders,

On behalf of the Board, I am pleased to present the Annual Report on the activities of the Company for the year ended 31st December 2015.

During the period, the Company achieved major progress in the development of the Buji Project in Shenzhen. There were many discussions on the various non-bank options in obtaining the construction loans such as online crowdfunding, or other unconventional financing such as private partnerships or LLC. The Board has worked very hard in seizing every opportunity to take this Project to another level despite what has been covered by the media as a global slowdown in the macro-economic climate. There were, in fact, a handful of small-to-mid developers eliminated from the scene, or have become "inactive" during the reporting period. However, we are happy to see that the demand in the residential market in the 1-tier cities remained strong in 2015, which implies that there was a great value and asset appreciation in the city of Shenzhen. Given the City's population has surged from roughly 18 million to 21 million (including the greater metropolitan area) in a two-year period, its average new home prices have also jumped 39 per cent in 2015 to 42,591 yuan per square metre (HK\$50,691) – according to the monthly index released by SouFun.com, which tracks residential building prices in more than a hundred mainland cities. Shenzhen, for the first time in history, has stolen the crown as China's most expensive housing market after a year of strong price gains, elevated its land price well above its counterparts, namely Beijing, Shanghai, and Guangzhou.

Our Group will continue to benefit from this continual surge of job population. Looking ahead to 2016, there are numerous favorable factors for the development of our Buji Project in terms of the positive driving forces behind the Shenzhen housing market. While we don't expect China's growth to sustain forever under this unfavourable global economic conditions, this constant influx of migrant workers is going to keep driving the demand of real estate in the near future. Shenzhen, now home of 20 million people, has become the Silicon Valley for the world's technology startups in China. The city has enjoyed the new economy glow, with the Premier Li Keqiang visit of the entrepreneur community last year, the city has proven itself as a vibrant landscape of possibility with plenty of career opportunities to explore.

Finally, I would like to take this opportunity to express sincere appreciation to our management team and staff for their commitment and dedication. In addition, I would also like to express my sincere gratitude to our customers, business partners and shareholders whose support has been the driving force for us to go forward.

**Ma Xuemian**

*Chairman*

Hong Kong, 30 March 2016



# Management Discussion and Analysis

## FINANCIAL RESULTS

For the year ended 31 December 2015, the revenue of the Company and its subsidiaries (the "Group") increased by 14% to approximately HK\$3,843,000 (2014: HK\$3,368,000).

During the year, the Group reported a net profit of approximately HK\$922,536,000, representing a turnaround performance from a net loss of approximately HK\$69,129,000 last year. It was mainly attributable to fair value gains of approximately HK\$1,259,950,000 on investment properties.

Net profit attributable to Owners of the Company was approximately HK\$457,920,000 for the year ended 31 December 2015, a turnaround from last year's loss of approximately HK\$65,855,000.

## BUSINESS REVIEW AND PROSPECT

In 2015 we started a new venture in the trading and distribution of New Zealand milk powder and dairy and meat products. This investment reflects our long-term commitment to continue bringing in quality business to the Company's portfolio. The intention is clear: the Board has been working hard to steadily develop the Group into a diversified enterprise with property development as its core business, and other cash-flow investment as its supporting businesses.

In addition, as a socially responsible corporate citizen, the Group has decided to adopt the principle of clean building in our Buji project. Clean building is an eco-construction approach that aims to respect our environment without compromising our future generations while offering maximum comfort to occupants. By adopting the architectural and urban-planning techniques that prioritise natural light and promote the use of renewable energy, the Group is moving towards the direction of a balanced solution between construction and a sustainable environment by observing relevant construction legislation.

Looking forward, the Board will focus on strengthening its main business (i.e. real estate) and put special emphasis on promoting sales growth on our acquired venture. The Company is committed to bring quality products to the market, produce sound financial results for investors, and create value-added benefits to the community.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group's cash and cash equivalents were approximately HK\$11,625,000 (2014: HK\$9,274,000) of which most were denominated in Hong Kong Dollar ("HK\$") and Renminbi ("RMB").

The Group had total current assets of approximately HK\$184,401,000 (2014: HK\$57,784,000), and total current liabilities of approximately HK\$44,036,000 (2014: HK\$45,893,000). The Group recorded total assets of approximately HK\$1,626,671,000 (2014: HK\$440,554,000). At 31 December 2015, the Group's total interest-bearing borrowings amounted to approximately HK\$5,443,000 (2014: HK\$5,634,000), of which HK\$5,443,000 was repayable within 1 year (2014: HK\$5,634,000).

At 31 December 2015, the percentage of the Group's interest-bearing borrowings denominated in HK\$ and RMB was 0% and 100% (2014: 0% and 100%) respectively and such borrowings carried interest rate at fixed rates of 1.5% per month (2014: 1.5% per month).

The gearing ratio for 31 December 2015, which was defined to be current liabilities over shareholders' equity, was 7% (2014: 24%).

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's major operations are located in the PRC and the main operational currencies are HK\$ and RMB. There was no material exchange rate appreciation of RMB against HK\$ in 2015, and there is no adverse movement of such trend foreseen by the Group. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimise the foreign exchange risk and exposure.

## CAPITAL STRUCTURE

As at 31 December 2015, the Company's issued share capital is HK\$95,706,832.70 and the number of its issued ordinary shares is 957,068,327 shares of HK\$0.10 each in issue.

Details of the movements in share capital of the Company are set out in Note 30.

# Management Discussion and Analysis

## CHARGE ON GROUP ASSETS

At 31 December 2015, the Group has pledged the properties for sale with the carrying amounts of approximately HK\$4,655,000 of its wholly-owned subsidiary for a loan with principal amount of RMB4,500,000 (equivalent to approximately HK\$5,634,000) from an independent third party, details are set out in note 26 to the consolidated financial statements.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Company did not have any other material acquisitions, disposal and significant investment of subsidiaries and affiliated companies during the year ended 31 December 2015.

## CONTINGENT LIABILITIES

The Group's contingent liabilities are disclosed in note 34 to the consolidated financial statements.

## SEGMENT INFORMATION

The details of the segment information of the Group are set out in note 13 to the consolidated financial statements.

## EMPLOYEES

As of the end of 2015, the Group employed 51 employees (2014: 25) and had 8 Directors (2014: 8). The total costs (staff salary & director emolument) for the year amounted to approximately HK\$6,685,000 (2014: HK\$14,183,000). The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from basic salary and statutory provident fund scheme, employees will also be offered bonus based on the results of the Group and their individual performance.



## Profile of Directors

### Executive Directors

**Mr. Ma Xuemian (“Mr. Ma”)**, aged 51, was elected as an executive Director and the chairman (the “Chairman”) of the Company on 2 December 2008 and 19 October 2009 respectively. He is also a member of the Remuneration Committee, Nomination Committee and the chairman of Corporate Governance Committee. Mr. Ma has joined the Company since 1999 and has been responsible for the Company’s property sales and management in China since then. Mr. Ma has more than 20 years of management experiences in property management and marketing. From 1988 to 1992, he worked as a supervisor of the construction team in The Guangzhou Construction Company Limited, a subsidiary of the 3rd Guangdong Water and Electricity Bureau. He joined Ka Fong Industrial Company, Limited in 1992, which later became a subsidiary of the Company. Since then, he has served management role in various capacities including applying for government approval for development plan and construction plan, on-site project management, construction completion inspection. From July 1995 to 1996, he served in various management capacities including property completion and delivery management. From 1997 to 2000, he was in charge for managing the title deed application and property management in various projects in China. Since 2001, he is the General Manager of the Company’s operation in Dongguan, the PRC. Mr. Ma is also a director of Grand Field Group Holdings (BVI) Limited, Grand Field Group Investments (BVI) Limited, Grand Field Group Limited, Ka Fong Industrial Company, Limited, Shing Fat Hong Limited, China Hantong Wine Group Holdings Limited and Qing Tian Hotel Management (Shenzhen) Limited, all being subsidiaries of the Company and the legal representative, general manager and chairman of Shenzhen Zongke Real Estate Co., Ltd. (a subsidiary of the Company).

**Mr. Kwok Siu Bun (“Mr. Kwok”)**, aged 40, was appointed as a non-executive Director on 5 February 2010 and re-designated as an executive Director of the Company on 15 August 2011. Mr. Kwok graduated from Leonard Stern School of Business of New York University with a double major in Finance and Information Systems. He had previously worked for Deutsche Bank (New York) where he was a Senior Systems Analyst of the Private Banking Department. In 2003, Mr. Kwok was the project manager of Visionsky Informance Science and Technology Limited, a subsidiary of Bank of China (Guangzhou). Mr. Kwok successfully implemented several data warehouse projects for the Credit Card Centre of Bank of China (Hong Kong). He had also worked in Crushpad Winery in San Francisco. Recently, he has established Tao of Wines, a wine company dedicated to introducing a wide range of wines to the Hong Kong food and beverages market. Mr. Kwok has more than 10 years of professional experience in various industries including banking, information technology and wine business. He was also appointed as a director of Grand Field Group Limited, Ka Fong Industrial Company Limited and Qing Tian Hotel Management (Shenzhen) Limited (subsidiaries of the Company) and the legal representative of Qing Tian Hotel Management (Shenzhen) Limited. Mr. Kwok’s scope of work includes: developing business and proactively looking for

## Profile of Directors

investment projects and focusing on potential projects with stable efficiency and liaising with the project parties on investment cooperation at different aspects; managing investment and researching work, including setting up investment strategy and establishing investment procedures; establishing investment research team and organizing and writing investment strategy report; building good business relationship and financing channel with banks, non-banking financial institutions, securities institutions and investment funds. Mr. Kwok holds the qualifications of the Professional Diploma in the Corporate Governance and Directors by the Hong Kong Institute of Directors.

Mr. Kwok is the uncle of Mr. Tsang Yee, who is the sole shareholder of Rhenfield Development Corp., a substantial shareholder of the Company. He is also the sibling of Ms. Kwok, an executive Director, and the uncle of Ms. Tsang Tsz Tung, Debbie, a non-executive Director of the Company.

**Ms. Chow Kwai Wa, Anne (“Ms. Chow”)**, aged 50, Ms. Chow holds a bachelor’s degree in Business Administration from Shepherd University, USA. She was the operations manager of Air Global Holdings Limited and the business director of AGE International Limited, the subsidiary of Air Global. Previously, Ms. Chow set up a branch office for Amkey Inc., USA in Singapore and served as the operations manager of the Singapore branch. Ms. Chow had also worked as the administrative cum sales director for a number of Chinese property projects and was the assistant to several senior executives of Star TV, a subsidiary of News Corporation. Ms. Chow has extensive experience in business management, sales strategic planning and overseas marketing. Ms. Chow joined the Company in November 2009 and was appointed as an executive Director in February 2010. Ms. Chow is also the director of Grand Field Property Development (Shenzhen) Company Limited, China Hantong Wine Group Holdings Limited and G & H International Holding Limited (subsidiaries of the Company) and the legal person, director and chairman of the board of directors of G & H International Supply Chain (Shenzhen) Limited\* (濠康國際供應鏈(深圳)有限公司) (a subsidiary of the Company), the general manager of the sales and administration department of the Company, responsible for the operation management of the Company.

**Ms. Kwok Siu Wa, Alison (“Ms. Kwok”)**, aged 41, was appointed as an executive Director of the Company on 5 February 2010. Ms. Kwok holds a bachelor’s degree in International Business Management from Oxford Brookes University and a master’s degree in Professional Accounting from Hong Kong Polytechnic University. Ms. Kwok joined the Group in 2000 and is responsible for financial management of the Group. She has more than 10 years of experience in accounting and administrative management. Ms. Kwok was re-designated from the Vice President (business development) of the Company to the Finance, Vice President of the Company with effect from 28 March 2014. She is also a director of Grand Field Group Holdings (BVI) Limited, Grand Field Group Investments (BVI) Limited, Grand Field Group Limited, Ka Fong Industrial Company, Limited, Shing Fat Hong Limited, Shenzhen Zongke Real Estate Co., Ltd, Grand Field Property Development (Shenzhen) Company Limited and Qing Tian Hotel Management (Shenzhen) Limited, all of which are subsidiaries of the Company.

\* for identification purposes only

## Profile of Directors

Ms. Kwok is the aunt of Mr. Tsang Yee, who is the sole shareholder of Rhenfield Development Corp., a substantial shareholder of the Company. She is also the sister of Mr. Kwok Siu Bun, an executive Director, and the aunt of Ms. Tsang Tsz Tung, Debbie, a non-executive Director of the Company.

### Non-executive Director

**Ms. Tsang Tsz Tung, Debbie (“Ms. Tsang”)**, aged 26, was appointed as a non-executive Director on 30 April 2014. She holds a Bachelor of Arts in English with minor in Management from The Chinese University of Hong Kong. She previously worked as a Communications Coordinator in the Asia Pacific Regional Office of Deloitte Touche Tohmatsu Limited, and is currently the Business Development and Marketing Director of Aspire Group International Limited. Ms. Tsang is the sister of Mr. Tsang Yee, the owners of Rhenfield Development Corp., which is a substantial shareholder of the Company. Ms. Tsang is also the niece of Ms. Kwok Siu Wa, Alison and Mr. Kwok Siu Bun, executive directors of the Company.

### Independent Non-executive Directors

**Mr. Hui Pui Wai, Kimber (“Mr. Hui”)**, aged 45, was appointed as an independent non-executive Director on 15 April 2014, and is also a member of the Audit Committee and the chairman of the Remuneration Committee. Mr. Hui holds a Bachelor of Arts Degree majoring in Economics and Political Science from The University of New South Wales in Australia. He has over 20 years’ experience in the marketing industry. Mr. Hui was the independent non-executive Director of the Company from 1999 to 2008.

**Mr. Liu Chaodong (“Mr. Liu”)**, aged 47, was appointed as an independent non-executive Director on 25 August 2009, and is also a member of the Audit Committee, Remuneration Committee and Corporate Governance Committee and the chairman of the Nomination Committee. Mr. Liu has practising qualifications of registered accountant, registered tax agent, forensic accounting practitioners and certified public valuer in the PRC. In 1990, Mr. Liu graduated from Anhui Jianghuai Vocational University, the PRC, majoring in financial accounting. In 2006, he graduated from Huazhong University of Science and Technology, the PRC, majoring in legal studies. Mr. Liu served as the chief accountant in Blue Star New Chemical Materials Co., Ltd. from 1991 to 1994 and a department manager in Zhonglei Certified Public Accountants Co., Ltd. from 1994 to 1997 Mr. Liu is currently the deputy general manager of Foshan Branch of Ruihua Certified Public Accountants (LLP).



## Profile of Directors

**Ms. Chui Wai Hung (“Ms. Chui”)**, aged 48, was appointed as an independent non-executive Director on 21 September 2010, and is also a member of the Remuneration Committee, Nomination Committee and Corporate Governance Committee and the chairman of the Audit Committee. Ms. Chui is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. She holds a bachelor’s degree in business administration from the Chinese University of Hong Kong. From 1996 to 2002, Ms. Chui joined Wing Lee Holding Limited (a company listed on the Stock Exchange) as group financial controller, and was then promoted to finance director and company secretary. She once worked as a financial controller in a telecommunications equipment company, a company listed on the Stock Exchange. Ms. Chui is the directors of several companies of a private group which is principally engaged in investment holding and providing financial advisory services. Ms. Chui has over 20 years of experience in accounting, auditing and financial management.

# Corporate Governance Report

## CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "CG Code") during the year ended 31 December 2015 except for the following deviations:

According to the code provision A.2.1 of the CG Code, the roles of the chairman of the Company (the "Chairman") and the chief executive officer of the Company (the "CEO") should be separate and should not be performed by the same individual.

During the year ended 31 December 2015, the role of the Chairman is performed by Mr. Ma Xuemian but the office of the CEO is vacated. However, the Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standard in the Model Code for dealing in securities of the Company throughout the year ended 31 December 2015.

# Corporate Governance Report

## BOARD OF DIRECTORS

As at the date of the publication of this annual report, the Board comprises a total of eight Directors, of whom four are executive Directors, one is non-executive Director and three are independent non-executive Directors, and at least one of the independent non-executive Directors have appropriate professional qualifications to comply with Rules 3.10(1) and (2) of the Listing Rules. The Board believes that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. All independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for approving and monitoring the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management.

The Board is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board is also required to approve acquisitions or disposals that require shareholder notification or approval under the Listing Rules. The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders of the Company (the "Shareholders").

The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for the Board's approval. Decisions of the Board are put through to the management by the executive Directors who have attended the Board meetings.

Save as disclosed in the section of "Profile of Directors", there is no financial, business, family or other material/relevant relationship among the members of the Board.

During the year ended 31 December 2015, the management provided all members of the Board with monthly updates in accordance with the code provision C.1.2 of the CG Code.



## Corporate Governance Report

During the year ended 31 December 2015, 3 Board meetings and 1 general meeting were held. The attendance records of each Director at such meetings are set out below:

<b>Directors</b>	<b>Attendance/ Number of General Meetings entitled to attend</b>	<b>Attendance/ Number of Board Meetings entitled to attend</b>
<b>Executive Directors:</b>		
Mr. Ma Xuemian ( <i>Chairman</i> )	1/1	3/3
Mr. Kwok Siu Bun	1/1	3/3
Ms. Chow Kwai Wa, Anne	1/1	3/3
Ms. Kwok Siu Wa, Alison	1/1	3/3
<b>Non-executive Director:</b>		
Ms. Tsang Tsz Tung, Debbie	0/1	2/3
<b>Independent non-executive Directors:</b>		
Mr. Hui Pui Wai, Kimber	0/1	3/3
Mr. Liu Chaodong	0/1	3/3
Ms. Chui Wai Hung	1/1	3/3

Minutes of the meetings of Board/committee members would be maintained, and draft minutes would be circulated to the Board/committee members for comments before being approved by the chairman of the meetings. Minutes of the Board meetings are kept by the company secretary of the Company and shall be open for inspection by Directors. Minutes of the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the corporate governance committee ("the Corporate Governance Committee") of the Company are kept by the secretary of these four committees. Where Directors have a material or conflict of interests in any transaction the matter would not be dealt with by way of written resolutions and a Board meeting would be held. The Directors concerned could express views but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

According to the code provision A.1.1 of the CG Code, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year, three regular Board meetings were held. As business operations of the Company were under the management and supervision of the executive Directors who had from time to time held meetings to resolve all material business or management issues and therefore certain Board resolutions were concluded through circulation of written resolutions.

# Corporate Governance Report

## CONTINUING PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the year ended 31 December 2015, all the Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

<b>Directors</b>	<b>Topics on training covered</b>
	<i>(Note)</i>
<b>Executive Directors:</b>	
Mr. Ma Xuemian ( <i>Chairman</i> )	(b)
Mr. Kwok Siu Bun	(c)
Ms. Chow Kwai Wa, Anne	(a)(b)
Ms. Kwok Siu Wa, Alison	(a)(b)
<b>Non-executive Director:</b>	
Ms. Tsang Tsz Tung, Debbie	(b)
<b>Independent non-executive Directors:</b>	
Mr. Hui Pui Wai, Kimber	(b)
Mr. Liu Chaodong	(a)
Ms. Chui Wai Hung	(a)(b)(c)

Note:

- (a) corporate governance
- (b) regulatory
- (c) finance

# Corporate Governance Report

## CHAIRMAN AND THE CHIEF EXECUTIVE

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual.

During the year ended 31 December 2015, the role of the Chairman was performed by Mr. Ma Xuemian but the office of the CEO was vacated upon the resignation of Mr. Chen Mudong as the CEO on 15 April 2011. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

## NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under the code provision A.4.1 of the CG Code, the non-executive directors should be appointed for a specific term.

The non-executive Director, namely Ms. Tsang Tsz Tung, Debbie and each of independent non-executive Directors, namely Mr. Hui Pui Wai, Kimber, Mr. Liu Chaodong and Ms. Chui Wai Hung, have entered into an appointment letter with the Company for a term from 1 April 2015 to 31 March 2016.

According to the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The Company complied the code provision A.2.7 of the CG Code that the Chairman met the non-executive Director and the independent non-executive Directors without the present of the executive Directors.

## REMUNERATION COMMITTEE

The Remuneration Committee was established on 26 September 2005 with written terms of reference in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Remuneration Committee is available on the Stock Exchange and the Company's websites.



## Corporate Governance Report

As at 31 December 2015, the Remuneration Committee comprised one executive Director, namely Mr. Ma Xuemian and three independent non-executive Directors, namely Mr. Hui Pui Wai, Kimber (chairman of the Remuneration Committee), Mr. Liu Chaodong and Ms. Chui Wai Hung.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; reviewing the specific remuneration packages of all Directors and senior management by reference to corporate goals and objective resolved by the Board from time to time; ensuring no Director or any of his associates is involved in deciding his own remuneration and advising the Shareholders on how to vote with respect to any service contracts of the Directors that requires the Shareholders' approval.

The roles and functions of the Remuneration Committee include to make recommendation to the Board on the remuneration packages of individual executive Directors, which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors.

The Remuneration Committee held one meeting during the year ended 31 December 2015 to review the remuneration of the Directors and senior management. The attendance record of the meeting is as follows:

<b>Members</b>	<b>Attendance</b>
<b>REMUNERATION COMMITTEE</b>	
Mr. Hui Pui Wai, Kimber ( <i>Chairman</i> )	1/1
Mr. Liu Chaodong	1/1
Mr. Ma Xuemian	1/1
Ms. Chui Wai Hung	1/1

### AUDIT COMMITTEE

The Audit Committee was established on 4 August 1999 with written terms of reference with the requirement stipulated in the CG Code. The latest terms of reference of the Audit Committee were adopted on 31 December 2015 and are available on the Stock Exchange and the Company's websites.

## Corporate Governance Report

As at 31 December 2015, the Audit Committee comprised three independent non-executive Directors, namely Ms. Chui Wai Hung (chairman of the Audit Committee), Mr. Hui Pui Wai, Kimber and Mr. Liu Chaodong.

Its primary duties are to monitor integrity of the annual report and accounts and half-year report of the Company and to review significant reporting judgements contained in such reports; to review the Group's financial and accounting policies and practices; to review the Group's financial control, internal control and risk management system of the Group with particular regard to their effectiveness and to make recommendations to the Board where the monitoring activities of the Audit Committee reveal cause for concern or scope for improvement.

The Audit Committee held two meetings during the year ended 31 December 2015 to consider the consolidated financial statements for the year ended 31 December 2014 and the unaudited consolidated financial statements for the six months ended 30 June 2015, to review with the management of the Company, the accounting principles and practices adopted by the Group, to review the internal control of the Company and to consider the change of auditor of the Company. The Audit Committee also complied with the code provision C.3.3 of the CG Code to meet the auditor in absence of management for reviewing the internal control of the Company. The attendance records of the meetings are as follow:

<b>Members</b>	<b>Attendance</b>
<b>AUDIT COMMITTEE</b>	
Ms. Chui Wai Hung ( <i>Chairman</i> )	2/2
Mr. Hui Pui Wai, Kimber	2/2
Mr. Liu Chaodong	2/2

### NOMINATION OF DIRECTORS

In accordance with the bye-laws of the Company (the "Bye-laws"), the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Apart from that, nomination of Directors is determined by the Board with approvals by the Shareholders in general meeting. In addition, a resolution was passed by the then sole Shareholder on 20 May 1999, which resolved to set the maximum number of Directors at 15.

# Corporate Governance Report

Notwithstanding the above, in the High Court judgment (“Judgment”) handed down on 12 August 2009, paragraph 39 states that Bye-law 113 of the Bye-laws empowers the Company in general meeting to increase the number of Directors beyond the 1999 maximum simply by voting on specified candidates as additional Directors. Paragraph 41 of the Judgment further states that in contrast the Board’s ability to vote on additional Directors is explicitly limited by any prevailing maximum which the Company in general meeting has expressly or impliedly determined.

## NOMINATION COMMITTEE

The Nomination Committee was established on 28 March 2012 with written terms of reference in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Nomination Committee was revised on 1 September 2013 and is available on the Stock Exchange and the Company’s websites.

As at 31 December 2015, the Nomination Committee comprised one executive Director, namely Mr. Ma Xuemian and two independent non-executive Directors, namely Mr. Liu Chaodong (chairman of the Nomination Committee) and Ms. Chui Wai Hung.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of independent non-executive Directors; making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee formulated the board diversity policy of the Company (the “Board Diversity Policy”). The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

## Corporate Governance Report

In designing the Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

- (A) at least one-third of the members of the Board shall be independent non-executive directors;
- (B) at least one of the members of the Board shall have obtained accounting or other professional qualifications;
- (C) the members of the Board shall comprise professionals from both mainland China and Hong Kong

The Board has achieved the measurable objectives under board diversity policy for the year ended 31 December 2015.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy.

The Nomination Committee held one meeting during the year ended 31 December 2015 to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and assess the Board Diversity Policy. The attendance record of the meeting is as follows:

<b>Members</b>	<b>Attendance</b>
<b>NOMINATION COMMITTEE</b>	
Mr. Liu Chaodong ( <i>Chairman</i> )	1/1
Mr. Ma Xuemian	1/1
Ms. Chui Wai Hung	1/1



# Corporate Governance Report

## CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established on 28 March 2012 with written terms of reference in compliance with the requirement stipulated in the CG Code.

As at 31 December 2015, the Corporate Governance Committee comprised one executive Director, namely Mr. Ma Xuemian (chairman of the Corporate Governance Committee) and two independent non-executive Directors, namely Mr. Liu Chaodong and Ms. Chui Wai Hung.

The principal responsibilities of the Corporate Governance Committee include developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of the Directors and senior management; reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and reviewing the Group's compliance with the CG Code and disclosure in the corporate governance report of the Company.

The Corporate Governance Committee held one meeting during the year ended 31 December 2015 to review policies and practices of the Group relating to the CG Code. The attendance record of the meeting is as follows:

<b>Members</b>	<b>Attendance</b>
<b>CORPORATE GOVERNANCE COMMITTEE</b>	
Mr. Ma Xuemian ( <i>Chairman</i> )	1/1
Mr. Liu Chaodong	1/1
Ms. Chui Wai Hung	1/1

# Corporate Governance Report

## INTERNAL CONTROLS

The Board believes that the system of internal controls maintained by the Company's management, which was in place throughout the financial year and up to the date of this report, provides reasonable, but not absolute, assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, the compliance with appropriate legislation and regulation and the identification of business risk. The Group has in place policies and guidelines which are zealously implemented by the management of the Group so as to ensure that the Group has the ability to:

- (i) carry on its business in an orderly and efficient manner;
- (ii) safeguard the Group's and the clients' assets;
- (iii) maintain proper records and the reliability of financial and other information used within and published by the Group;
- (iv) prevent and detect potential fraud; and
- (v) comply with all applicable laws and regulatory requirements.

The Board acknowledges that it is responsible for the Company's internal control system and for reviewing its effectiveness. The Board has reviewed the effectiveness of the Company's internal control system during the financial year. The Board considers that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes are adequate.

## ACCOUNTABILITY AND AUDIT

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

## Corporate Governance Report

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2015, the Directors have:

- approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;
- selected and applied consistently appropriate accounting policies;
- made judgments and estimates that are prudent and reasonable; and
- prepared the accounts on a going concern basis. The Directors, having made appropriate enquiries, consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Board is accountable to the Shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2015.

### EXTERNAL AUDITOR

ZHONGHUI ANDA CPA Limited ("ZHONGHUI") was appointed as the auditor of the Company to fill the casual vacancy following the resignation of ZHONGLEI (HK) CPA Company Limited ("ZHONGLEI") with effect from 24 January 2014, and to hold office until the conclusion of the next annual general meeting of the Company. The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by ZHONGHUI.

The auditor's responsibility is to form an independent opinion based on their audit results on the Company's financial statement and to report their opinion to the Company, as a body, and for no other purposes. The auditor of the Company do not assume responsibilities towards or accept liability to any other person for the contents of the report of auditor.

## Corporate Governance Report

The auditor's remuneration for the provision of annual audit services of approximately HK\$740,000 was charged to the Group's income statement for the year ended 31 December 2015 (2014: HK\$520,000), and the auditor's remuneration for the provision of non-audit services of approximately HK\$170,000 was charged to the Group's income statement for the year ended 31 December 2015 (2014: HK\$170,000).

### INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to the Shareholders and investors for the performance of the Company. Enquiries and suggestions from the Shareholders or investors are welcomed, and enquires from the Shareholders may be put to the Board through the following channels to the Company:

1. By mail to the Company's principle place of business at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong;
2. By telephone at telephone number (852) 2380 1330;
3. By fax at fax number (852) 2380 1996; or
4. By email at [gfgadmin@gf115.net](mailto:gfgadmin@gf115.net).

The Company uses a number of formal communications channel to account to the Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for the Shareholders to raise comments and exchanging views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders and investors; and (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed and on a regular basis information of the Group to the Shareholders through the publication of interim and annual reports and/or dispatching circular, notices, and other announcements.



## Corporate Governance Report

The Company strives to take into consideration the Shareholders' views and inputs, and address the Shareholders' concerns. The Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The Chairman as well as chairmen of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee, or in their absence, the Directors are available to answer the Shareholders' questions on the Group's businesses at the meeting.

All Shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by the Shareholders. According to Bye-Law 65 of the Bye-laws and the Companies Act 1981 of Bermuda, the directors of a company, notwithstanding anything in its Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgment of the Notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting. In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, the Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

The Board has established a shareholder communication policy on 28 March 2012 and will review it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains website (<http://www.gfghl.com>) which includes the latest information relating to the Group and its businesses.

# Corporate Governance Report

## COMPANY SECRETARY

The company secretary of the Company, Mr. Cheung Yuk Chuen is delegated by an external service provider. The external service provider's primary contact person at the Company is Ms. Chow Kwai Wa, Anne, the executive Director.

On behalf of the Board

**Ma Xuemian**

*Chairman*

Hong Kong, 30 March 2016

## Directors' Report

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

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 20 to the consolidated financial statements. There have been no significant changes in the nature of the Group's principal activities during the year.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 13 to the consolidated financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

Revenue made from the five largest customers of the Group was approximately 62% (2014: approximately 44%) of the Group's turnover, before deducting sales return of properties, for the year ended 31 December 2015.

Revenue made to the Group's largest customers accounted for approximately 21% (2014: approximately 16%) of the Group's total turnover for the year ended 31 December 2015.

Total purchases of the Group were from the five major suppliers, of which approximately 40% made from the largest suppliers.

At no time during the year under review, the Directors, their associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in the five major customers.

During the year under review, no construction was performed. All purchases from the major suppliers were for general trading.

### FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 42 to 121.

### TRANSFER TO RESERVES

The profit attributable to the Shareholders of approximately HK\$457,920,000 (2014: HK\$65,855,000) has been transferred to reserves. Other movements in reserve are set out in page 46 of this annual report.

## Directors' Report

### DIVIDENDS

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2015 (2014: nil). No interim dividend was declared for the six months ended 30 June 2015 (2014: nil).

### INVESTMENT PROPERTIES

The Group revalued all of its investment properties at year end date. The revaluation resulted in a profit of approximately HK\$1,259,950,000 (2014: a loss of HK\$862,000), which has been credited directly to the consolidated income statement. The deferred tax arising from the revaluation amounted is approximately HK\$311,672,000 in 2015 (2014: nil). Details of the revaluation are set out in note 16 to the consolidated financial statements.

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 15 and 16 to the consolidated financial statements respectively.

### SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

### REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

The emolument policy of the employees of the Group is determined on the basis of their merits, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually.

The Company has adopted a share option scheme on 23 June 2006 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.



# Directors' Report

## DIRECTORS

The Directors during the year ended 31 December 2015 and up to the date of this report are:

### Executive Directors:

Mr. Ma Xuemian (*Chairman*)

Mr. Kwok Siu Bun

Ms. Chow Kwai Wa, Anne

Ms. Kwok Siu Wa, Alison

### Non-executive Director:

Ms. Tsang Tsz Tung, Debbie

### Independent non-executive Directors:

Mr. Hui Pui Wai, Kimber

Mr. Liu Chaodong

Ms. Chui Wai Hung

Pursuant to Bye-law 111(A), Mr. Ma Xuemian, Mr. Liu Chaodong and Ms. Chui Wai Hung will retire at the forthcoming annual general meeting (the "AGM"). The said Directors, being eligible for re-election, will offer themselves for re-election at the AGM.

The Board has received annual confirmations of independence from each of the three independent non-executive Directors, and as at the date of this report still considers them independent.

Biographical details of the Directors are set out on pages 7 to 10 of this annual report.

## Directors' Report

### DIRECTORS' APPOINTMENT LETTERS

Each of the executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa, Anne and Ms. Kwok Siu Wa, Alison have entered into an appointment letter with the Company for a further term of three years from 1 April 2016 to 31 March 2019. The non-executive Director, namely Ms. Tsang Tsz Tung, Debbie; and each of the independent non-executive Directors, namely Mr. Hui Pui Wai Kimber, Mr. Liu Chaodong and Ms. Chui Wai Hung, have entered into an appointment letter with the Company for a term from 1 April 2016 to 31 March 2017.

None of the Directors proposed for re-election at the AGM has an appointment letter with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN SHARES AND OPTIONS

#### Share options in the Company

On 23 June 2006, the Company adopted the Share Option Scheme, pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contractor to any company in the Group or any affiliate; and (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The purpose of the Share Option Scheme is to enable the Board to grant options to eligible participants as (i) incentives and/or rewards in recognition or acknowledgement the contributions that eligible participants have made and will make to the Group; and (ii) motivation to high calibre employees for high levels of performance in order to enhance long-term shareholder value. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share of the Company.

## Directors' Report

Upon acceptance of the options, the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 21 days from the date of grant. The exercise period of any option granted under the Share Option Scheme must not be more than 10 years commencing on the date of grant.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares of the Company in issue as at the date of approval of the Share Option Scheme. The Board may seek approval by the Shareholders at general meeting to refresh the 10% limit. However, the total number of shares available for issue under exercise of options which may be granted under the Share Option Scheme in these circumstances must not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshment of the 10% limit.

On 30 June 2015, the shareholders of the Company had approved the refreshment of the 10% scheme mandate limit on the grant of options under the Share Option Scheme. Options previously granted under the Share Option Scheme (including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the scheme mandate limit as refreshed. Based on 926,892,396 shares of the Company in issue as at the date of refreshment, the Directors were authorised to issue options to subscribe for a total of 92,689,239 shares of the Company, representing 10% of the total number of shares of the Company in issue as at the date of refreshment. The existing scheme mandate limit has not been utilized during the year ended 31 December 2015.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

As at the date of this report, the total number of Shares available for issue upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme was 42,512,666, representing 4.44% of the issued share capital of the Company.

## Directors' Report

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Share Option Scheme from 23 June 2006.

As the Share Option Scheme is due to expire on 23 June 2016, the Company proposed to terminate the existing Share Option Scheme and adopt a new scheme. An ordinary resolution will be proposed at the AGM to approve the termination of the existing Share Option Scheme and the adoption of the new scheme.

The following shows the outstanding position of the Directors and the other employees of the Company as at 31 December 2015 with respect to their share options granted under both the Share Option Scheme.

Name or category of grantees	Date of grant of share options	Exercise Price (HK\$)	Exercise Period	Balance as at 01.01.2015	Number of share options				Balance as at 31.12.2015
					Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	
<b>Directors</b>									
Ma Xuemian	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	4,530,258	–	–	–	–	4,530,258
Kwok Siu Bun	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	4,026,896	–	1,000,000	–	–	3,026,896
Chow Kwai Wa, Anne	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	4,026,896	–	1,300,000	–	–	2,726,896
Kwok Siu Wa, Alison	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	4,026,896	–	2,000,000	–	–	2,026,896
Tsang Tsz Tung, Debbie	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	3,523,534	–	–	–	–	3,523,534
Hui Pui Wai, Kimber	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	1,510,086	–	–	–	–	1,510,086
Liu Chaodong	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	1,510,086	–	–	–	–	1,510,086
Chui Wai Hung	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	1,510,086	–	–	–	–	1,510,086
Subtotal				24,664,738	–	4,300,000	–	–	20,364,738
<b>Former Director</b>									
Tsang Tsz Nok, Aleen	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	3,523,534	–	3,523,534	–	–	–
<b>Other Employees</b>									
In aggregate	02/05/2014 (Note)	0.470	02/05/2014 – 01/05/2017	22,147,928	–	–	–	–	22,147,928
<b>Total</b>				<b>50,336,200</b>	<b>–</b>	<b>7,823,534</b>	<b>–</b>	<b>–</b>	<b>42,512,666</b>

Note: The closing price of the shares immediately before 2 May 2014, on which those options were granted, was HK\$0.470.

Information on the accounting policy and the value of options granted is provided in note 3 and note 33 to the consolidated financial statements.

## Directors' Report

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 31 December 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

<b>Name of Directors</b>	<b>Capacity/nature of interests</b>	<b>Number of ordinary share(s) held</b>	<b>Total interests as percentage of the issued share capital</b>
Ma Xuemian	Beneficial Owner	4,530,258 (Note 1)	0.47%
Kwok Siu Bun	Beneficial Owner	4,026,896 (Note 2)	0.42%
Chow Kwai Wa, Anne	Beneficial Owner	4,026,896 (Note 3)	0.42%
Kwok Siu Wa, Alison	Beneficial Owner	4,026,896 (Note 4)	0.42%
Tsang Tsz Tung, Debbie	Beneficial Owner	3,523,534 (Note 1)	0.37%
Hui Pui Wai, Kimber	Beneficial Owner	1,510,086 (Note 1)	0.16%
Liu Chaodong	Beneficial Owner	1,510,086 (Note 1)	0.16%
Chui Wai Hung	Beneficial Owner	1,510,086 (Note 1)	0.16%

Note:

1. These shares represent the share options granted by the Company on 2 May 2014 under the share option scheme.
2. 3,026,896 shares represent the share options granted by the Company on 2 May 2015 under the share option scheme.
3. 2,726,896 shares represent the share options granted by the Company on 2 May 2015 under the share option scheme.
4. 2,026,896 shares represent the share options granted by the Company on 2 May 2015 under the share option scheme.



## Directors' Report

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 to the consolidated financial statements, no Director had a significant beneficial interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year or at the end of the year.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2015, other than the interests disclosed above in respect of certain Directors, so far as is known to the Directors, the following parties (other than the Directors and chief executives of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO:

<b>Name of Shareholders</b>	<b>Capacity/nature of interests</b>	<b>Number of ordinary share(s) held</b>	<b>Total interests as percentage of the issued share capital</b>
Rhenfield Development Corp. (Note)	Beneficial Owner	162,465,000	16.98%
Tsang Yee	Interest of Controlled Corporation (Note)	162,465,000	16.98%

Note: Rhenfield Development Corp. is owned by Mr. Tsang Yee who is deemed to be interested in 162,465,000 shares of the Company pursuant to the Part XV of the SFO.

# Directors' Report

## MANAGEMENT CONTRACTS

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

## COMPETING INTERESTS

As at 31 December 2015, none of the Directors, the management Shareholders or substantial Shareholders or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2015.

## PRE-EMPTIVE RIGHTS

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

## FINANCIAL SUMMARY

A summary of the published results, and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated and reclassified as appropriate, is set out on page 122. This summary does not form part of the audited consolidated financial statements.

## BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are set out in note 26 to the consolidated financial statements.

## Directors' Report

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

During the year ended 31 December 2015, the Company totally issued 191,174,726 new shares, the details are as follows:–

<b>Nature</b>	<b>No. of Shares</b>
Exercised share option (Note 1)	7,823,534
Remuneration shares (Note 2)	16,024,830
Settlement shares (Note 3)	108,646,362
Subscription shares (Note 4)	<u>58,680,000</u>
Total:	<u><u>191,174,726</u></u>

Notes:

1. The exercise price was HK\$0.470.
2. On 21 January 2015, the Company entered into the settlement agreement, pursuant to which the legal adviser has agreed with the Company to settle the outstanding professional fees of HK\$2,308,899 by the issuance and allotment of 9,310,076 remuneration shares to Mr. Wong Vai Nang ("Mr. Wong"), the sole proprietor of the Legal Adviser at an issue price of HK\$0.248 per remuneration share.

On 14 July 2015, the Company also entered into another settlement agreement with the legal adviser, pursuant to which the Company has agreed with the legal adviser to settle the outstanding professional fees of HK\$2,048,000 by the issuance and allotment of 6,714,754 remuneration shares to Mr. Wong at an issue price of approximately HK\$0.305 per remuneration share.

3. On 11 February 2015, 85,185,185 settlement shares has been successfully allotted and issued to Thrive Season for partial repurchase of the convertible bonds in the principal amount of HK\$23,000,000.

On 14 July 2015, the Company and Thrive Season entered into the loan settlement agreement, pursuant to which Thrive Season has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 23,461,177 settlement shares at the issue price of approximately HK\$0.305 per settlement share for full repayment of the final indebted amount due from Thrive Season on and subject to the terms and conditions of the loan settlement agreement.

4. On 13 May 2015, the Company entered into the subscription agreements on the same terms with each of the subscribers, Mr. Wang Dustin Daqing and Mr. Li Bing (the "Subscribers"), pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 58,680,000 subscription shares at the subscription price of HK\$0.380 per subscription share.

Save as disclose above, during the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

# Directors' Report

## COMPLIANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2015 except the deviation stated in the Corporate Governance Report on pages 11 to 25.

## EVENT AFTER THE REPORTING PERIOD

- (i) On 8th January, 2016, the judgment regarding the cases in China involving the Group's wholly owned subsidiary Shing Fat Hong Limited was delivered. Please refer to Paragraph 34 (iv) hereinafter;
- (ii) On 20th January, 2016, the Appeal lodged by the Company to the Court of Appeal of Hong Kong under CACV 140/2014 was dismissed. Please refer to Paragraph 34(iii) hereinafter;
- (iii) On 16th February, 2016, Shenzhen City Yizhou Hotel Management Co., Limited's appeal against the judgment involving two of the Group's subsidiary GF Land Development (Shenzhen), Hong Kong, Grand Field Group Limited and two other defendants was dismissed. Please refer to Paragraph 34(vii) hereinafter;
- (iv) On 23rd February, 2016, Shenzhen Liangzi's administrative action against Shenzhen Real Estate Ownership Registration Centre with two of the Group's subsidiaries Grand Field Group Limited and Grand Field Land Development (Shenzhen) Company Limited as third parties which had been tried was dismissed. Please refer to Paragraph 34 (xiii) hereinafter.
- (v) On 23rd February, 2016, Shenzhen Liangzi's administrative action against Shenzhen Real Estate Ownership Registration Centre with two of the Group's subsidiaries Grand Field Group Limited, Grand Field Land Development (Shenzhen) Company Limited and Shenzhen Zongke as third parties which had been tried was dismissed. Please refer to Paragraph 34 (xiv) hereinafter.

## Directors' Report

- (vi) On 19 April, 2016, the Company received a civil writ of summons issued at the Intermediate People's Court of Shenzhen City, P.R.C., in which, Shenzhen City Liangzi Jingshun Investment Management Co., Limited ("Liangzi") as plaintiff claims against Shenzhen Hongteng Technology Company Limited (formerly known as Shenzhen Grand Field Computer Software Development Limited ("Grand Field Computer")), Shenzhen Zongke, Grand Field Group Limited, Grand Field Land Development (Shenzhen), Guangdong Province Hongling Group Company Limited as defendants and Shenzhen Real Estate Ownership Registration Centre and Shenzhen City Urban Planning, Land and Resources Commission of Shenzhen Municipality as third parties for, inter alia, confirmation that the part of the Shenzhen Land now under the name of Grand Field Computer belongs to the old Grand Field Computer which was registered on 8th December, 1998 of which the plaintiff alleged holding a total 11% of its shareholdings.

The Company has sought legal opinion from its legal advisor in China and was advised that the said writ of summons only affected the interest of the Grand Field Computer which is an independent third party to the Company and therefore does not affect the Company's interest in Shenzhen Land in all aspects and that notwithstanding any outstanding litigations against the relevant party, the development of and the erection on the Shenzhen Land will not be affected and can still be carried out without any obstruction. However, the Directors cannot reliably measure the financial impact of the said writ of Summons until its final judgment shall have been delivered.

### CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B (1) of the Listing Rules, the change of information on the Directors are as follows:

The letter of appointment of Mr. Ma Xuemian, the Chairman and executive Director, have been renewed for a further term of three years commencing on 1 April 2016. Mr. Ma is entitled to a Director's fee of HK\$53,000 per month as at the date of the publication of this report.

The letter of appointment of Mr. Kwok Siu Bun, the executive Director, have been renewed for a further term of three years commencing on 1 April 2016. Mr. Kwok is entitled to a Director's fee of HK\$38,000 per month as at the date of the publication of this report.

The letter of appointment of Ms. Chow Kwai Wa, Anne, the executive Director, have been renewed for a further term of three years commencing on 1 April 2016. Ms. Chow is entitled to a Director's fee of HK\$38,000 per month as at the date of the publication of this report.



## Directors' Report

The letter of appointment of Ms. Kwok Siu Wa, Alison, the executive Director, have been renewed for a further term of three years commencing on 1 April 2016. Ms. Kwok is entitled to a Director's fee of HK\$38,000 per month as at the date of the publication of this report.

The letter of appointment of Ms. Tsang Tsz Tung, Debbie, the non-executive Director, have been renewed for a further term of one year commencing on 1 April 2016. Ms. Tsang is entitled to a Director's fee of HK\$20,000 per month as at the date of the publication of this report.

The letter of appointment of Mr. Hui Pui Wai, Kimber, the independent non-executive Director, have been renewed for a further term of one year commencing on 1 April 2016. Mr. Hui is entitled to a Director's fee of HK\$10,000 per month as at the date of the publication of this report.

The letter of appointment of Mr. Liu Chaodong, the independent non-executive Director, have been renewed for a further term of one year commencing on 1 April 2016. Mr. Liu is entitled to a Director's fee of HK\$10,000 per month as at the date of the publication of this report.

The letter of appointment of Ms. Chui Wai Hung, the independent non-executive Director, have been renewed for a further term of one year commencing on 1 April 2016. Ms. Chui is entitled to a Director's fee of HK\$10,000 per month as at the date of the publication of this report.

### AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2015, with external auditor. There were no disagreements from the auditor of the Company or the Audit Committee in respect of the accounting policies adopted by the Company.

## Directors' Report

### AUDITOR

ZHONGHUI ANDA CPA Limited ("ZHONGHUI") was appointed as the auditor of the Company with effect from 24 January 2014 to fill the casual vacancy following the resignation of ZHONGLEI (HK) CPA Company Limited, and to hold office until the conclusion of the next annual general meeting of the Company. The consolidated financial statements of the Group for the years ended 31 December 2013 and 2014 were audited by ZHONGHUI.

ZHONGHUI will retire at the conclusion of the AGM and being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of ZHONGHUI as the auditor of the Company will be proposed at the AGM.

On behalf of the Board

**Ma Xuemian**

*Chairman*

Hong Kong, 30 March 2016

# Independent Auditor's Report



**TO THE SHAREHOLDERS OF  
GRAND FIELD GROUP HOLDINGS LIMITED**

鈞濠集團有限公司

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 119, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **AUDITOR'S RESPONSIBILITY**

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

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

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

# Independent Auditor's Report

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its 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.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

### **Ngan Hing Hon**

Practising Certificate Number P05294

Hong Kong, 30 March 2016

## Consolidated Income Statement

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>	7	<b>3,843</b>	3,368
Cost of revenue		<b>(1,946)</b>	(823)
<b>Gross profit</b>		<b>1,897</b>	2,545
Other revenue	7	<b>198</b>	1,337
Other gains and losses	7	<b>1,259,908</b>	(858)
Selling and distribution costs		<b>(254)</b>	(517)
Administrative expenses		<b>(34,228)</b>	(60,776)
<b>Profit/(loss) from operations</b>		<b>1,227,521</b>	(58,269)
Finance cost	8	<b>(2,117)</b>	(6,091)
Gain on settlement of convertible bonds		<b>632</b>	–
Fair value loss of derivative instruments		<b>–</b>	(4,769)
<b>Profit/(loss) before tax</b>		<b>1,226,036</b>	(69,129)
Income tax expense	9	<b>(303,500)</b>	–
<b>Profit/(loss) for the year</b>	10	<b>922,536</b>	(69,129)
<b>Attributable to:</b>			
Owners of the Company		<b>457,920</b>	(65,855)
Non-controlling interests		<b>464,616</b>	(3,274)
		<b>922,536</b>	(69,129)
<b>Earnings/(loss) per share</b>	12		
Basic (HK cents per share)		<b>50.68</b>	(8.89)
Diluted (HK cents per share)		<b>50.68</b>	(8.89)



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Profit/(loss) for the year</b>	10	<u>922,536</u>	<u>(69,129)</u>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(62,929)</u>	<u>(149)</u>
<b>Total comprehensive income/(loss) for the year</b>		<u><u>859,607</u></u>	<u><u>(69,278)</u></u>
<b>Attributable to:</b>			
Owners of the Company		<u>424,338</u>	<u>(65,961)</u>
Non-controlling interests		<u>435,269</u>	<u>(3,317)</u>
		<u><u>859,607</u></u>	<u><u>(69,278)</u></u>

## Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	15,855	1,220
Investment properties	16	1,404,349	46,000
Prepaid premium for land leases	17	13,648	316,509
Properties for sale under development	18	597	18,790
Derivative instruments	28	–	251
Deferred tax assets	29	7,821	–
		<b>1,442,270</b>	<b>382,770</b>
<b>Current assets</b>			
Inventories	19	3,567	909
Properties for sale under development	18	126,432	–
Properties for sale	21	31,092	32,958
Other receivables, deposits and prepayments	22	11,449	14,428
Amount due from a director	23	145	118
Tax recoverable		91	97
Cash and cash equivalents	24	11,625	9,274
		<b>184,401</b>	<b>57,784</b>
<b>Current liabilities</b>			
Trade and other payables	25	37,838	39,586
Interest-bearing borrowings	26	5,443	5,634
Obligation under finance lease due within one year	27	178	170
Amounts due to directors	23	261	261
Tax payable		316	242
		<b>44,036</b>	<b>45,893</b>
<b>Net current assets</b>		<b>140,365</b>	<b>11,891</b>
<b>Total assets less current liabilities</b>		<b>1,582,635</b>	<b>394,661</b>

# Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Non-current liabilities</b>			
Obligation under finance lease due after one year	27	61	239
Convertible bonds	28	–	31,632
Deferred tax liabilities	29	302,143	4,113
		<u>302,204</u>	<u>35,984</u>
<b>NET ASSETS</b>		<u><b>1,280,431</b></u>	<u>358,677</u>
<b>Capital and reserves</b>			
Share capital	30	95,707	76,589
Reserves		581,217	114,650
<b>Equity attributable to owners of the Company</b>		<u>676,924</u>	191,239
<b>Non-controlling interests</b>		<u>603,507</u>	<u>167,438</u>
<b>TOTAL EQUITY</b>		<u><b>1,280,431</b></u>	<u>358,677</u>

Approved by:

**Ma Xuemian**  
Director

**Kwok Siu Wa, Alison**  
Director

# Consolidated Statement of Changes In Equity

For the year ended 31 December 2015

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Share option reserve	Special reserve	Capital reserve	Exchange reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	50,761	264,287	-	(2,215)	7,859	86,926	(208,718)	198,900	14,338	213,238
Loss for the year	-	-	-	-	-	-	(65,855)	(65,855)	(3,274)	(69,129)
Other comprehensive income for the year	-	-	-	-	-	(106)	-	(106)	(43)	(149)
Total comprehensive income/(loss) for the year	-	-	-	-	-	(106)	(65,855)	(65,961)	(3,317)	(69,278)
Capital injection from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	156,417	156,417
Open offer	25,381	22,630	-	-	-	-	-	48,011	-	48,011
Issue of shares for settlement of professional fee	447	1,879	-	-	-	-	-	2,326	-	2,326
Equity-settled share option arrangements	-	-	7,963	-	-	-	-	7,963	-	7,963
At 31 December 2014	<u>76,589</u>	<u>288,796</u>	<u>7,963</u>	<u>(2,215)</u>	<u>7,859</u>	<u>86,820</u>	<u>(274,573)</u>	<u>191,239</u>	<u>167,438</u>	<u>358,677</u>
At 1 January 2015	76,589	288,796	7,963	(2,215)	7,859	86,820	(274,573)	191,239	167,438	358,677
Profit for the year	-	-	-	-	-	-	457,920	457,920	464,616	922,536
Other comprehensive income for the year	-	-	-	-	-	(33,582)	-	(33,582)	(29,347)	(62,929)
Total comprehensive income/(loss) for the year	-	-	-	-	-	(33,582)	457,920	424,338	435,269	859,607
Capital injection from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	800	800
Issue of new shares	5,868	16,430	-	-	-	-	-	22,298	-	22,298
Issue of shares for settlement of professional fee	1,603	3,425	-	-	-	-	-	5,028	-	5,028
Issue of shares for settlement of convertible bonds	8,519	20,870	-	-	(7,859)	-	1,797	23,327	-	23,327
Issue of shares for settlement of interest-bearing borrowings	2,346	4,671	-	-	-	-	-	7,017	-	7,017
Exercise of share options	782	4,144	(1,249)	-	-	-	-	3,677	-	3,677
At 31 December 2015	<u>95,707</u>	<u>338,336</u>	<u>6,714</u>	<u>(2,215)</u>	<u>-</u>	<u>53,238</u>	<u>185,144</u>	<u>676,924</u>	<u>603,507</u>	<u>1,280,431</u>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	1,226,036	(69,129)
Adjustments for:		
Amortisation of prepaid lease payments	9,120	6,552
Depreciation	2,818	381
Fair value (gain)/loss on investment properties	(1,259,950)	862
Net gain on disposal of property, plant and equipment	42	–
Interest income	(20)	(1,154)
Interest expenses	2,117	6,091
Gain on settlement of convertible bonds	(632)	–
Fair value loss of derivative instruments	–	4,769
Issue of shares for settlement of professional fee	5,028	2,326
Share-based payment expenses	–	7,963
Operating cash flows before working capital changes	(15,441)	(41,339)
Change in inventories	(2,658)	(909)
Cost incurred to the properties under development	(2,466)	(5,322)
Change in completed properties held for sale	1,866	90
Change in other receivables, deposits and prepayments	2,980	(4,377)
Change in amount due from a director	(27)	742
Change in trade and other payables	(1,749)	11,880
Change in amounts due to directors	–	(3,928)
<b>Cash generated from operations</b>	(17,495)	(37,841)
Interest received	20	1,154
Tax refunded – PRC tax	–	345
<b>Net cash flows used in operating activities</b>	(17,475)	(36,342)



## Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,206)	(133)
Proceeds from disposal of property, plant and equipment	21	–
<b>Net cash flows used in investing activities</b>	<b>(3,185)</b>	<b>(133)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(2,606)	(6,667)
New interest-bearing borrowings raised	5,443	–
Repayment of interest-bearing borrowings	(5,534)	(3,749)
Capital injection from non-controlling interest of a subsidiary	800	49
Repayment of obligation under a finance lease	(185)	(162)
Proceed from open offer	–	48,011
Placing of shares	22,298	–
Share option exercised	3,677	–
<b>Net cash flows generated from financing activities</b>	<b>23,893</b>	<b>37,482</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,233</b>	<b>(4,315)</b>
Effect of foreign exchange rate changes	(882)	(57)
Cash and cash equivalents at beginning of year	9,274	13,646
<b>Cash and cash equivalents at end of year</b>	<b>11,625</b>	<b>9,274</b>
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	11,625	9,274

# Notes to the Financial Statements

*For the year ended 31 December 2015*

## 1. GENERAL INFORMATION

Grand Field Group Holdings Limited (the "Company") is a company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at Unit 1004B, 10th Floor, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are investment holding, property development, property investment and general trading. Details of the principal activities of its subsidiaries are set out in Note 20 to the consolidated financial statements.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost basis except that certain properties and derivative instruments are measured at fair values. These financial statements are presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group ("Management") to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the consolidated financial statements.

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

### Consolidation

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

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Business combination and goodwill**

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

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

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy "Impairment of assets" below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

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

### **Foreign currency translation**

#### ***(a) Functional and presentation currency***

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



# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation *(Continued)*

#### *(b) Transactions and balances in financial statements*

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

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

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

#### *(c) Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the exchange reserve.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation *(Continued)*

#### *(c) Translation on consolidation (Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

### Property, plant and equipment

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

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

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

Land and Buildings	2.5% over the lease term whichever is shorter
Furniture, fixtures and equipment	20%
Leasehold improvement	20-33.3%
Motor vehicles	20%

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

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property (including property that is being constructed or developed for future use as investment property) is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an investment property becomes owner-occupied or a property held for sale, it is reclassified as property, plant and equipment or properties held for sale as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

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

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases

#### *The Group as lessor*

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

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

#### *The Group as lessee*

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Properties for sale

Properties for sale are measured at the lower of cost and net realisable value. Cost includes costs of land, development expenditure incurred, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to such properties. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing and selling.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to its present location and condition, is calculated using the first-in, first-out method. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

### Recognition and derecognition of financial instruments

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

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

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



# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Trade and other receivables

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

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

### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand and demand deposits with banks and other financial institutions. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### Financial liabilities and equity instruments

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Borrowings

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

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

### Convertible loan

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan and the fair value assigned to the liability component (including the derivative component), representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value through profit or loss.

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

If the loans are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the loan is redeemed, the capital reserve is released directly to retained profits.

### Trade and other payables

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Equity instruments

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

### Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. Revenue is recognised as follows:

#### *(a) Sale of properties and general trading*

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

#### *(b) Rental income from operating leases*

Rental income, including rentals invoices in advance from properties under operating leases, is recognised on a straight-line basis over the term of the lease.

#### *(c) Interest income*

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

### Employee benefits

#### *(a) Employee leave entitlements*

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

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Employee benefits *(Continued)*

#### *(b) Pension obligations*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK\$30,000 (before 1 June 2014: HK\$25,000) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

#### *(c) Termination benefits*

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Borrowing costs**

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

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

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

### **Share-based payment transactions**

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

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.



# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation *(Continued)*

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

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

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

### PRC land appreciation tax ("LAT")

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties

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

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

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

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Segment reporting

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

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

### Impairment of assets

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment of assets** *(Continued)*

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

### **Provisions and contingent liabilities**

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

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

### **Events after the reporting period**

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



# Notes to the Financial Statements

For the year ended 31 December 2015

## 4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Key sources of estimation uncertainty

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

#### *(a) Impairment loss for bad and doubtful debts*

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

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

Investment properties are carried in the consolidated statement of financial position at 31 December 2015 at their fair value of approximately HK\$1,404,349,000 (2014: HK\$46,000,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

#### ***(c) Determination of net realisable value of prepaid premium for land lease, properties under development and completed properties held for sale***

The Company assesses the carrying amounts of prepaid premium for land lease, properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for prepaid premium for land lease and properties under development is determined by reference to management's estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price on prevailing market conditions, less applicable variable selling expenses.

#### ***(d) Land Appreciation Taxes***

The Group is subject to Land Appreciation Taxes in the PRC. However, the implementation and settlement of these taxes varies among the various tax jurisdictions in cities and regions of the PRC, and the Group has not finalised its Land Appreciation Tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The Group recognised these Land Appreciation Taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

#### ***(e) Property, plant and equipment and depreciation***

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 5. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include other receivables and deposits, amount due from a director, cash and cash equivalents, trade and other payables, interest-bearing borrowings, and amount(s) due to directors. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments including market risk (currency risk and interest rate risk), credit risk and liquidity risk. According to the Group's risk management policies and guidelines, the financial risk shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

### (a) Credit risk

The Group is exposed to credit risk in relation to its loan and other receivables, and cash deposits with banks.

The Group is subject to the credit risk from the recoverability of loan and other receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk in relation to loan and other receivables is significantly reduced.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other receivables are set out in Notes 22 to the consolidated financial statements.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Liquidity risk

In the management of liquidity risk, the Directors monitors and maintains a level of bank balances deemed adequate to finance the Group's operations, investment opportunities and expected expansion. The Group finances its working capital requirements mainly by the funds generated from operations and from funds raising activities such as obtaining of new borrowings.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

#### At 31 December 2015

	Less than 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amounts HK\$'000
Trade and other payables	29,605	-	-	29,605	29,605
Interest-bearing borrowings	6,015	-	-	6,015	5,443
Obligation under finance lease	185	62	-	247	239
Amount due to director	261	-	-	261	261
	<u>36,006</u>	<u>62</u>	<u>-</u>	<u>36,128</u>	<u>35,548</u>

# Notes to the Financial Statements

For the year ended 31 December 2015

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Liquidity risk (Continued)

At 31 December 2014

	Less than 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amounts HK\$'000
Trade and other payables	33,628	–	–	33,628	33,628
Interest-bearing borrowings	6,141	–	–	6,141	5,634
Obligation under finance lease	185	185	62	432	409
Convertible bonds	5,109	34,325	–	39,434	31,632
Amount due to directors	261	–	–	261	261
	<u>45,324</u>	<u>34,510</u>	<u>62</u>	<u>79,896</u>	<u>71,564</u>

### (c) Interest rate risk

The Directors consider the Group's exposure to fair value interest rate risk in relation to interest-bearing bank deposits and interest-bearing borrowings is not significant. The interest rate and repayment terms of the interest-bearing borrowings outstanding at the year end are disclosed in Note 26 to the consolidated financial statements.

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank balances. Sensitivity of the Group's loss for the year to a reasonable change in the interest rate is assessed to be immaterial.



# Notes to the Financial Statements

For the year ended 31 December 2015

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### (d) Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### (e) Categories of financial instruments at 31 December

	2015 HK\$'000	2014 HK\$'000
<b>Financial assets:</b>		
<i>Current assets</i>		
Loans and receivables (including cash and cash equivalents)		
– Other receivables and deposits	5,160	9,016
– Amount due from a director	145	118
– Cash and cash equivalents	<u>11,625</u>	<u>9,274</u>
	<u>16,930</u>	<u>18,408</u>
<b>Financial liabilities:</b>		
<i>Current liabilities</i>		
Financial liabilities measured at amortised cost		
– Trade and other payables	29,605	33,628
– Interest-bearing borrowings	5,443	5,634
– Convertible loan	–	31,632
– Amounts due to directors	<u>261</u>	<u>261</u>
	<u>35,309</u>	<u>71,155</u>

# Notes to the Financial Statements

For the year ended 31 December 2015

## 5. FINANCIAL RISK MANAGEMENT *(Continued)*

### (f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2015 and 2014.

## 6. FAIR VALUE MEASUREMENTS

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 6. FAIR VALUE MEASUREMENTS (Continued)

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

As at 31 December 2015

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2015 HK\$'000
Recurring fair value measurements:				
<b>Assets</b>				
Investment properties				
Completed – PRC	–	41,600	–	41,600
Investment properties under development – PRC	–	–	1,362,749	1,362,749
	<u>–</u>	<u>41,600</u>	<u>1,362,749</u>	<u>1,404,349</u>

As at 31 December 2014

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2014 HK\$'000
Recurring fair value measurements:				
<b>Assets</b>				
Investment properties				
Completed – PRC	–	46,000	–	46,000
Derivatives – convertible bonds	–	251	–	251
	<u>–</u>	<u>46,251</u>	<u>–</u>	<u>46,251</u>

## Notes to the Financial Statements

For the year ended 31 December 2015

### 6. FAIR VALUE MEASUREMENTS (Continued)

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

	Investment properties under construction HK\$'000
At 1 January 2014, 31 December 2014 and a January 2015	–
Transfer from prepaid premium for land leases	177,272
Fair value gain on investment properties	1,246,687
Exchange differences	<u>(61,210)</u>
At 31 December 2015	<u><u>1,362,749</u></u>

- (c) One of the Company's executive director is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. This executive director reports directly to the Board of Directors for these fair value measurement. Discussions of valuation processes and results are held between this executive director and the Board of Directors at least twice a year.

#### Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2015 HK\$'000
<b>Assets</b>			
Investment properties – completed – PRC	Market comparable approach	Price per square metre	<b>41,600</b>

# Notes to the Financial Statements

For the year ended 31 December 2015

## 6. FAIR VALUE MEASUREMENTS (Continued)

(c) (Continued)

### Level 2 fair value measurements (Continued)

Description	Valuation technique	Inputs	Fair value 2014 HK\$'000
<b>Assets</b>			
Investment properties – completed – PRC	Market comparable approach	Price per square metre	46,000
Derivatives – convertible bonds	Binomial option pricing model	Share price	251

### Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2015 HK\$'000
<b>Assets</b>					
Investment properties – under development – PRC	Residual value method	Price per square metre	Commercial RMB22,500 to RMB108,000  Office RMB31,500  Serviced Office Apartment RMB36,000	Increase	1,362,749



## Notes to the Financial Statements

For the year ended 31 December 2015

### 7. REVENUE, OTHER REVENUE AND OTHER GAINS AND LOSSES

The principal activities of the Group are property development, property investment and general trading.

Revenue represents the aggregate of net amounts received and receivable for completed properties held for sale and goods sold by the Group to outside customers and property rental income for the years ended, and is analysed as follows:

	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>		
Sales of properties	–	–
Property rental	2,129	2,474
General trading	1,714	894
	<u>3,843</u>	<u>3,368</u>
<b>Other revenue</b>		
Interest income on bank deposits	20	1,154
Net foreign exchange gain	164	33
Sundry income	14	150
	<u>198</u>	<u>1,337</u>
<b>Other gains and losses</b>		
Fair value gain/(loss) on investment properties	1,259,950	(862)
Reversal of impairment loss on loan receivables	–	4
Loss on disposal of property, plant and equipment	(42)	–
	<u>1,259,908</u>	<u>(858)</u>

## Notes to the Financial Statements

For the year ended 31 December 2015

### 8. FINANCE COST

	2015 HK\$'000	2014 HK\$'000
Interest expenses on borrowings wholly repayable within five years		
– convertible notes (Note 28)	347	4,534
– other borrowings	1,755	1,534
Interest on finance lease	15	23
	<u>2,117</u>	<u>6,091</u>

### 9. INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
Deferred tax (note 29)	<u>303,500</u>	<u>–</u>

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both years. No provision for Hong Kong Profits Tax and PRC Tax is required since the Group has no assessable profit for the year.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 9. INCOME TAX EXPENSE (Continued)

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax and profit before tax multiplied by the Hong Kong profits tax rate is as follows:

	2015 HK\$'000	2014 HK\$'000
Profit/(loss) before tax	<u>1,226,036</u>	<u>(69,129)</u>
Notional tax credit on loss before income tax, calculated at the rates applicable to profits in the countries concerned	<b>308,853</b>	(12,333)
Effect of different tax calculation basis for the PRC property development projects operated by the Hong Kong subsidiaries	<b>(84)</b>	(4)
Tax effect on non-deductible expenses	<b>2,328</b>	10,705
Tax effect on non-taxable income	<b>(3,473)</b>	(2)
Tax effect of utilisation of tax losses not previously recognised	<b>(4,980)</b>	–
Tax effect on tax losses not recognised	<u>856</u>	<u>1,634</u>
	<u><b>303,500</b></u>	<u>–</u>

## Notes to the Financial Statements

For the year ended 31 December 2015

### 10. PROFIT/(LOSS) FOR THE YEAR

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

	2015 HK\$'000	2014 HK\$'000
Cost of sales	1,946	823
Amortisation of prepaid premium for land leases	9,120	6,552
Depreciation	2,818	381
Staff costs (including Directors' remuneration):		
– salaries, bonuses and allowances	6,379	6,013
– equity-settled share option arrangements	–	7,963
– retirement benefits scheme contributions	306	207
	<b>6,685</b>	14,183
Provision for legal costs	–	20,000
Auditor's remuneration	742	690
Net foreign exchange gain	(164)	(33)
Operating lease charges on land and buildings	<b>757</b>	1,064

# Notes to the Financial Statements

For the year ended 31 December 2015

## 11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

### (a) Directors' and chief executives' emoluments

	2015				Total HK\$'000
	Directors' fees HK\$'000	Basic salaries and other benefits HK\$'000	Equity-settled share option arrangements HK\$'000	Contributions to defined contribution retirement plans HK\$'000	
<b>Executive directors</b>					
Mr. Ma Xuemian ( <i>Chairman</i> )	600	-	-	-	600
Ms. Chow Kwai Wa, Anne	60	390	-	18	468
Ms. Kwok Siu Wa, Alison	60	390	-	18	468
Mr. Kwok Siu Bun	420	-	-	18	438
<b>Independent non-executive directors</b>					
Mr. Chow Chi-ping, David	-	-	-	-	-
Mr. Liu Chaodong	120	-	-	-	120
Ms. Chui Wai Hung	120	-	-	-	120
Mr. Hui Pui Wai Kimber (a)	120	-	-	-	120
<b>Non-executive directors</b>					
Ms. Tsang Tsz Tung, Debbie (b)	240	-	-	-	240
	<u>1,740</u>	<u>780</u>	<u>-</u>	<u>54</u>	<u>2,574</u>



# Notes to the Financial Statements

For the year ended 31 December 2015

## 11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

### (a) Directors' and chief executives' emoluments (Continued)

	2014				
	Directors' fees HK\$'000	Basic salaries and other benefits HK\$'000	Equity-settled share option arrangements HK\$'000	Contributions to defined contribution retirement plans HK\$'000	Total HK\$'000
<b>Executive directors</b>					
Mr. Ma Xuemian ( <i>Chairman</i> )	635	–	723	–	1,358
Ms. Chow Kwai Wa, Anne	95	390	643	17	1,145
Ms. Kwok Siu Wa, Alison	95	390	643	17	1,145
Mr. Kwok Siu Bun	455	–	643	17	1,115
<b>Independent non-executive directors</b>					
Mr. Chow Chi-ping, David (c)	53	–	–	–	53
Mr. Liu Chaodong	120	–	241	–	361
Ms. Chui Wai Hung	120	–	241	–	361
Mr. Hui Pui Wai Kimber (a)	85	–	241	–	326
<b>Non-executive directors</b>					
Mr. Lim Francis (d)	75	–	–	–	75
Mr. Chen Mudong (d)	45	–	–	–	45
Ms. Tsang Tsz Nok, Aleen (e)	56	–	563	–	619
Ms. Tsang Tsz Tung, Debbie (b)	162	–	563	–	725
	<u>1,996</u>	<u>780</u>	<u>4,501</u>	<u>51</u>	<u>7,328</u>

(a) appointed on 15 April 2014

(b) appointed on 29 April 2014

(c) resigned on 15 April 2014

(d) resigned on 1 April 2014

(e) appointed on 30 April 2014 and resigned on 21 July 2014

There was no chief executive appointed in the Group for both years.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

### (a) Directors' and chief executives' emoluments *(Continued)*

There was no arrangement under which a director and chief executive waived or agreed to waive any remuneration in respect of the years ended 31 December 2015 and 2014.

During the years ended 31 December 2015 and 2014 no emolument was paid by the Group to the directors and chief executives as an inducement to join or upon joining the Group, or as compensation for loss of office.

### (b) Five highest paid individuals

The five highest paid individuals of the Group included five (2014: five) directors whose emoluments are included in the disclosures in Note 12(a) to the consolidated financial statements above.

## 12. EARNINGS/(LOSS) PER SHARE

### Basic earnings/(loss) per share

Basic earnings (2014: loss) per share is calculated based on the profit (2014: loss) for the year attributable to owners of the Company of approximately HK\$457,920,000 (2014: HK\$65,855,000) and on the weighted average number of approximately 903,490,000 ordinary shares in issue during the year (2014: 740,805,000). The weighted average number of ordinary shares for the years ended 31 December 2014 for the purpose of calculating the basic loss per share has been adjusted and restated respectively resulting from the share consolidation and open offer of the Company (Note 14) during the year ended 31 December 2014.

### Diluted earnings/(loss) per share

No diluted earnings per share for the year ended 31 December 2015 are presented as the Company did not have any dilutive potential ordinary shares during the year.

No diluted loss per share for the year ended 31 December 2014 are presented as the effects of all convertible notes and share options are anti-dilutive for the year.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 13. SEGMENT REPORTING

Information reported to the executive directors and senior management, being the chief operating decision maker, the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group. Specifically, the Group's reportable operating segments under HKFRS 8 are: (i) property development, (ii) property investment, (iii) general trading.

### (a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	General trading		Property development		Property investment		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>								
External sales	<u>1,714</u>	<u>894</u>	<u>-</u>	<u>-</u>	<u>2,129</u>	<u>2,474</u>	<u>3,843</u>	<u>3,368</u>
Segment result	(135)	175	-	-	1,261,982	1,509	1,261,847	1,684
Interest income on bank deposits							20	1,154
Unallocated income and gains, net							178	186
Unallocated expenses							(34,524)	(61,293)
Loss from operations							1,227,521	(58,269)
Finance costs							(2,117)	(6,091)
Gain on settlement of convertible bonds							632	-
Fair value loss of derivative instruments							-	(4,769)
Profit/(loss) before tax							1,226,036	(69,129)
Income tax expense							(303,500)	-
Profit/(loss) for the year							<u>922,536</u>	<u>(69,129)</u>

# Notes to the Financial Statements

For the year ended 31 December 2015

## 13. SEGMENT REPORTING (Continued)

### (a) Segment revenue and results (Continued)

The accounting policies for the operating segment are the same as the Group's accounting policies described in note 4 to the consolidated financial statements. Segment result represents the (loss from) profit earned from each segment without allocation of certain items, mainly comprising interest income on bank deposits, loss on disposal of property, plant and equipment, depreciation, central administration costs, directors' and chief executives' salaries, finance costs, gain on settlement of convertible bonds and fair value loss of derivative instruments. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

### (b) Segment assets and liabilities

	General trading		Property development		Property investment		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Segment assets	3,567	909	179,590	368,257	1,404,349	46,000	1,587,506	415,166
Unallocated assets							39,165	25,388
							<u>1,626,671</u>	<u>440,554</u>
Segment liabilities	-	(92)	(1,256)	(1,196)	(302,143)	(4,113)	(303,399)	(5,401)
Unallocated liabilities							(42,841)	(76,476)
							<u>(346,240)</u>	<u>(81,877)</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated assets (mainly comprising property, plant and equipment, other receivables, deposits and prepayments, amount due from a director and cash and cash equivalents); and
- all liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising certain other payables, interest-bearing borrowings, obligation under finance lease, amount(s) due to directors/a related party and dividend payable).

# Notes to the Financial Statements

For the year ended 31 December 2015

## 13. SEGMENT REPORTING (Continued)

### (c) Other segment information

	General trading		Property development		Property investment		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Amounts included in the measure of segment profit or loss or segment assets:</b>								
Amortisation of prepaid premium for land leases	-	-	(9,120)	(6,552)	-	-	(9,120)	(6,552)
Reversal of impairment loss on loan receivables	-	-	-	4	-	-	-	4
Fair value gain/(loss) on investment properties	-	-	-	-	1,259,950	(862)	1,259,950	(862)
<b>Unallocated:</b>								
Depreciation	-	-	-	-	-	-	(2,818)	(381)
Capital expenditure	-	-	-	-	-	-	3,206	133

### (d) Geographic information

Since the Group principally operates in the PRC with revenue and results derived mainly from its operations in the PRC and assets are located in the PRC, no geographical information is used by the chief operating decision maker for further evaluated.



# Notes to the Financial Statements

For the year ended 31 December 2015

## 13. SEGMENT REPORTING (Continued)

### (e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2015 HK\$'000	2014 HK\$'000
Property investment		
Customer A	349 <sup>1</sup>	353
Customer B	337 <sup>1</sup>	454
Customer C	349 <sup>1</sup>	530
	<u>1,035</u>	<u>807</u>
General trading		
Customer D	788	–
Customer E	576	–
	<u>1,364</u>	<u>–</u>
	<u><u>2,399</u></u>	<u><u>807</u></u>

<sup>1</sup> Revenue from these customers did not exceed 10% of total revenue in the respective years. These amounts were shown for comparative purpose.

## 14. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the years ended 31 December 2015 (2014: Nil).

# Notes to the Financial Statements

For the year ended 31 December 2015

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Furniture, fixtures and office equipment HK\$'000	Leasehold improvement HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost:</b>					
At 1 January 2014	169	2,095	488	2,554	5,306
Additions	–	133	–	–	133
Exchange differences	(1)	(1)	–	(3)	(5)
At 31 December 2014 and 1 January 2015	168	2,227	488	2,551	5,434
Additions	–	166	3,040	–	3,206
Transfer from investment properties	15,020	–	–	–	15,020
Disposals	–	(13)	–	(1,088)	(1,101)
Exchange differences	(674)	(49)	(131)	(52)	(906)
<b>At 31 December 2015</b>	<b>14,514</b>	<b>2,331</b>	<b>3,397</b>	<b>1,411</b>	<b>21,653</b>
<b>Accumulated depreciation:</b>					
At 1 January 2014	53	1,970	459	1,355	3,837
Charge for the year	11	52	26	292	381
Exchange differences	(3)	(1)	–	–	(4)
At 31 December 2014 and 1 January 2015	61	2,021	485	1,647	4,214
Charge for the year	185	71	2,281	281	2,818
Disposals	–	(2)	–	(1,036)	(1,038)
Exchange differences	(30)	(36)	(98)	(32)	(196)
<b>At 31 December 2015</b>	<b>216</b>	<b>2,054</b>	<b>2,668</b>	<b>860</b>	<b>5,798</b>
<b>Carrying amount:</b>					
<b>At 31 December 2015</b>	<b>14,298</b>	<b>277</b>	<b>729</b>	<b>551</b>	<b>15,855</b>
At 31 December 2014	107	206	3	904	1,220

## Notes to the Financial Statements

For the year ended 31 December 2015

### 16. INVESTMENT PROPERTIES

	<b>Under development</b>	<b>Completed</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<b>Fair value</b>			
At 1 January 2014	–	47,000	47,000
Fair value loss on investment properties	–	(862)	(862)
Exchange differences	–	(138)	(138)
At 31 December 2014 and 1 January 2015	–	46,000	46,000
Transfer to property, plant and equipment (Note 15)	–	(15,020)	(15,020)
Transfer from prepaid premium for land leases (Note 17)	177,272	–	177,272
Fair value gain on investment properties	1,246,687	13,263	1,259,950
Exchange differences	(61,210)	(2,643)	(63,853)
At 31 December 2015	<u>1,362,749</u>	<u>41,600</u>	<u>1,404,349</u>

The fair value of the Group's investment properties ("Properties") at 31 December 2015 and 2014 has been arrived at on the basis of a valuation carried out on that date by Messrs. Roma Appraisals Limited, an independent qualified professional valuers not connected with the Group. Roma Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's Properties have been valued by using market comparison and residual value approach, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 17. PREPAID PREMIUM FOR LAND LEASES

	2015 HK\$'000	2014 HK\$'000
<b>Cost</b>		
At 1 January	370,770	219,260
Capital injection from non-controlling shareholders	–	151,517
Transfer to investment properties (Note 16)	(194,323)	–
Transfer to properties for sale under development	(121,154)	–
Exchange differences	(6,263)	(7)
At 31 December	<u>49,030</u>	<u>370,770</u>
<b>Accumulated amortisation and impairment</b>		
At 1 January	54,261	47,665
Charge for the year	9,120	6,552
Transfer to investment properties (Note 16)	(17,051)	–
Transfer to properties for sale under development	(10,631)	–
Exchange differences	(317)	44
At 31 December	<u>35,382</u>	<u>54,261</u>
<b>Carrying values</b>		
At 31 December	<u>13,648</u>	<u>316,509</u>

## Notes to the Financial Statements

For the year ended 31 December 2015

### 18. PROPERTIES FOR SALE UNDER DEVELOPMENT

The carrying amounts of properties under development are analysed below:

	2015 HK\$'000	2014 HK\$'000
Property development project on its own	127,029	18,790
Less: current portion	<u>(126,432)</u>	<u>–</u>
Non-current portion	<u>597</u>	<u>18,790</u>

The balance represents the costs incurred by the Group on the properties for sale under development in the PRC. In the opinion of the Directors, the non-current portion of the properties for sale under development are not in the normal operating cycle of the Group.

### 19. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Merchandises	<u>3,567</u>	<u>909</u>

# Notes to the Financial Statements

For the year ended 31 December 2015

## 20. SUBSIDIARIES

Details of the Group's subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2015	Principal activities
<b>Directly held by the Company:</b>				
Grand Field Group Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Grand Field Group Investments (BVI) Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Investment holding
Surplus Full Development Limited	British Virgin Islands/ Hong Kong	US\$1	100%	Dormant
<b>Indirectly held through subsidiaries:</b>				
Grand Field Group Limited	Hong Kong/ Hong Kong	Ordinary shares of HK\$200 and non-voting deferred shares of HK\$200	100%	Investment holding and property investment
Grand Field Property Development (Shenzhen) Company Limited	PRC/PRC	HK\$18,000,000	100%	Property development and property investment
Ka Fong Industrial Company Limited	Hong Kong/PRC	Ordinary shares of HK\$200 and non-voting deferred shares of HK\$200,000	100%	Property development and property investment
Shing Fat Hong Limited	Hong Kong/PRC	Ordinary shares of HK\$4 and non-voting deferred shares of HK\$2	100%	Property development and property investment



## Notes to the Financial Statements

For the year ended 31 December 2015

### 20. SUBSIDIARIES (Continued)

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2015	Principal activities
深圳棕科置業有限公司 ("深圳棕科")	PRC/PRC	RMB150,607,510	50%	Dormant
China Hantong Wine Group Holdings Limited	Hong Kong/ Hong Kong	HK\$10,000,000	51%	Dormant
東莞成發置業有限公司	PRC/PRC	RMB1,000,000	100%	Property development
擎天酒店管理(深圳)有限公司("擎天酒店")	PRC/PRC	Nil	100%	Dormant
深圳漢唐盛世酒業有限公司("深圳漢唐")	PRC/PRC	RMB1,000,000	51%	Trading of wine
G & H International Holding Limited	Hong Kong/Hong Kong	HKD2,000,000	60%	Trading of foods and investment holding
濠康國際供應鏈(深圳)有限公司	PRC/PRC	RMB6,000,000	60%	Trading of foods

## Notes to the Financial Statements

For the year ended 31 December 2015

### 20. SUBSIDIARIES (Continued)

The following table shows information of a subsidiary that has non-controlling interests ("NCI") and is considered material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name of subsidiary	深圳棕科	
	2015	2014
Principal place of business/country of incorporation	PRC/PRC	PRC/PRC
% of ownership interests/voting rights held by NCI	50%/50%	50%/50%
	HK\$'000	HK\$'000
<b>At 31 December:</b>		
Non-current assets	1,363,788	302,421
Current assets	2,985	9,360
Current liabilities	(1,193)	(95)
Non-current liabilities	(298,274)	—
Net assets	<u>1,067,306</u>	<u>311,686</u>
Accumulated NCI	599,005	163,142
<b>Year ended 31 December:</b>		
Revenue	813	1,090
Profit/(loss)	930,421	(5,346)
Total comprehensive income/(loss)	871,725	(5,391)
Profit/(loss) allocated to NCI	465,211	(2,673)
Dividends paid to NCI	—	—
Net cash generated/(used) in operating activities	149	(5,553)
Net cash used in investing activities	(2,914)	(4)
Net cash generated from financing activities	—	—
Net decrease in cash and cash equivalents	<u>(2,765)</u>	<u>(5,557)</u>

# Notes to the Financial Statements

For the year ended 31 December 2015

## 21. PROPERTIES FOR SALE

At 31 December 2015, certain properties held for sale with the carrying amounts of approximately HK\$4,655,000 (2014: HK\$4,947,000 were pledged to secure for the interest-bearing borrowings. (Note 26).

All of the properties held for sale are situated in the PRC, are carried at lower of cost and net realisable value.

At 31 December 2015, certain properties held for sale with the carrying amounts of approximately HK\$17,795,000 which are not expected to be realised within the next twelve months.

## 22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 HK\$'000	2014 HK\$'000
Other receivables	5,160	9,016
Amounts due from non-controlling shareholders of a subsidiary	4,851	4,851
Other deposit and prepayments	1,438	561
	<u>11,449</u>	<u>14,428</u>

The amounts due from non-controlling shareholders of a subsidiary are unsecured, interest-free and have no fixed repayment terms.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 23. AMOUNT(S) DUE FROM (TO) DIRECTOR(S)

Amount due from a director disclosed pursuant to the Hong Kong Companies Ordinance are as follows:

Name	Terms	2015 HK\$'000	2014 HK\$'000	Maximum amount outstanding during the year HK\$'000
Mr. Ma Xuemian ( <i>Chairman</i> )	Unsecured, interest free and repayable on demand	<u>145</u>	<u>118</u>	<u>145</u>

At 31 December 2015 and 2014, amount due to director is unsecured, interest free and repayable on demand.

### 24. CASH AND CASH EQUIVALENTS

	2015 HK\$'000	2014 HK\$'000
Cash at bank and on hand	<u>11,625</u>	<u>9,274</u>

- (a) Cash at bank earns interest at floating rates based on daily bank deposit rates.
- (b) Included in bank balances of the Group is approximately HK\$8,355,000 (2014: HK\$4,246,000) of bank balances denominated in RMB dollars placed with banks in PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 25. TRADE AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Trade payables to building contractors	1,159	1,192
Accrued salaries and other operating expenses	6,909	9,702
Deposits received from the sale of properties	8,233	5,958
Rental deposits received from investment properties	36	1,306
Amounts payable on return of properties	6,091	6,817
Provision for compensation of a legal case	10,154	9,959
Other payables	5,256	4,652
	<u>37,838</u>	<u>39,586</u>

An ageing analysis of trade payables presented based on the invoice date at the end of reporting period is set out as follows:

	2015 HK\$'000	2014 HK\$'000
Over 360 days past due	<u>1,159</u>	<u>1,192</u>

### 26. INTEREST-BEARING BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Loans from independent third parties payable within 1 year or on demand – secured	<u>5,443</u>	<u>5,634</u>

At 31 December 2015 and 2014, loan with principal amount of RMB4,500,000 (equivalent to approximately HK\$5,443,000 (2014: HK\$5,634,000) from an independent third party is secured by the completed properties held for sale of the Group's wholly owned subsidiary. Interest is charged at 1.5% per month and repayable within 1 year from the drawdown date in the year 2014 and extended for 1 year during 2015.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 26. INTEREST-BEARING BORROWINGS (Continued)

The borrowings bear interest at fixed rates of 1.5% per month (2014: 1.5% per month).

### 27. OBLIGATION UNDER FINANCE LEASE

The Group leases a motor vehicle under finance lease arrangement. The lease term is 5 years. Interests rates underlying all obligations under finance lease is fixed at the contract date at 2.5% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Within one year	185	185	178	170
After 1 year but within 2 years	62	185	61	178
After 2 years but within 5 years	–	62	–	61
	<u>247</u>	<u>432</u>	<u>239</u>	<u>409</u>
Less: future finance charges	<u>(8)</u>	<u>(23)</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligation	<u><u>239</u></u>	<u><u>409</u></u>	<u><u>239</u></u>	<u><u>409</u></u>
Less: amount due for settlement within 12 months (shown under current liabilities)			<u>(178)</u>	<u>(170)</u>
Amount due for settlement after 12 months			<u><u>61</u></u>	<u><u>239</u></u>

The Group's obligation under finance lease is guaranteed by a director of the Company, Mr. Kwok Siu Bun.

Finance lease obligation is denominated in HK\$.



## Notes to the Financial Statements

For the year ended 31 December 2015

### 28. CONVERTIBLE BONDS

The convertible bonds were issued on 7 October 2013. The convertible bonds are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date. At 6 February 2015, the Company has conditionally agreed to allot and issue 85,185,185 settlement shares at the subscription price of HK\$0.270 per settlement share for partial repurchase of the convertible bonds in the principal amount of HK\$23,000,000 and convert the remaining principal amount of the convertible bonds of HK\$7,055,703 into a loan on and subject to the terms and conditions of the 2015 settlement agreement, details are described in the Company's announcement dated 6 February 2015 and 11 February 2015.

On 11 February 2015, the Company issued and allotted 85,185,185 shares as to repurchase the convertible bonds. The premium on the issue of shares amounting to approximately HK\$20,870,000 was credited to the Company's share premium account.

	HK\$'000
Liability component at 1 January 2014	32,207
Interest paid	(5,109)
Interest charged	<u>4,534</u>
Liability component at 31 December 2014	31,632
Interest paid	(852)
Interest charged	347
Settlement of convertible bonds	<u>(31,127)</u>
Liability component at 31 December 2015	<u><u>-</u></u>

## Notes to the Financial Statements

For the year ended 31 December 2015

### 28. CONVERTIBLE BONDS (Continued)

	HK\$'000
Derivative component at 1 January 2014	5,020
Fair value loss for the year	<u>(4,769)</u>
Derivative component at 31 December 2014	251
Settlement of convertible bonds	<u>(251)</u>
Derivative component at 31 December 2015	<u><u>–</u></u>
Carrying amount of liability component on convertible bonds	31,127
Fair value of settlement of the allotment of shares	(23,327)
Fair value of the settlement of short term loan	(6,917)
Carrying amount of derivative component on convertible bonds	<u>(251)</u>
Gain on settlement of convertible bonds	<u><u>632</u></u>

The interest charged for the year is calculated by applying an effective interest rate of 15.28% per annum to the liability component.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 29. DEFERRED TAX

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

	Tax losses	Revaluation of investment properties	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	–	4,124	4,124
Charge to profit or loss for the year	–	–	–
Exchange differences	–	(11)	(11)
At 31 December 2014 and 1 January 2015	–	4,113	4,113
Charge to profit or loss for the year	(8,172)	311,672	303,500
Exchange differences	351	(13,642)	(13,291)
At 31 December 2015	<u>(7,821)</u>	<u>302,143</u>	<u>294,322</u>

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2015 HK\$'000	2014 HK\$'000
Deferred tax liabilities	302,143	4,113
Deferred tax assets	<u>(7,821)</u>	–
	<u>294,322</u>	<u>4,113</u>

At the end of the reporting period, the Group has unused tax losses of approximately HK\$38,392,000 (2014: HK\$35,905,000) available for offset against future profits. The unrecognised tax losses will expire during 2016 to 2020 (2014: 2015 to 2019).

## Notes to the Financial Statements

For the year ended 31 December 2015

### 30. SHARE CAPITAL

	2015 HK\$'000	2014 HK\$'000
Authorised:		
5,000,000,000 Ordinary shares of HK\$0.1 each (2014: 5,000,000,000 Ordinary shares of HK\$0.1 each)	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
957,068,327 Ordinary shares of HK\$0.1 each (2014: 765,893,601 Ordinary shares of HK\$0.1 each)	<u>95,707</u>	<u>76,589</u>

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares '000	Amount HK\$'000
At 1 January 2014	2,538,068	50,761
Open offer (Note (i))	1,269,034	25,381
Capital reorganisation (Note (ii))	(3,045,681)	–
Issue of shares for professional fee (Note (iii))	<u>4,473</u>	<u>447</u>
As at 31 December 2014	765,894	76,589
Issue of new shares (Note (iv))	58,680	5,868
Issue of shares for professional fee (Note (iii))	16,025	1,603
Issue of shares for settlement of convertible bonds (Note 28)	85,185	8,519
Issue of shares for settlement of borrowings (Note (v))	23,461	2,346
Equity-settled share option arrangements (Note (vi))	<u>7,824</u>	<u>782</u>
	<u>957,069</u>	<u>95,707</u>

# Notes to the Financial Statements

For the year ended 31 December 2015

## 30. SHARE CAPITAL (Continued)

Note:

### (i) Open offer

Completion of the open offer took place on 10 March 2014 pursuant to which 1,269,034,139 offer shares were issued under the open offer on the basis of one offer share for every two shares held by the qualifying shareholders at the subscription price of HK\$0.04 per offer share with par value of HK\$0.02 each. Accordingly, the Company's issued share capital was increased by approximately HK\$25,381,000 and its share premium account was increased by approximately HK\$22,630,000, net of the transaction costs related to the open offer by approximately HK\$2,751,000.

### (ii) There was a capital reorganisation of the Company effected on 9 April 2014 which comprised the following:

#### *Share Consolidation*

The share consolidation was implemented to consolidate every 5 issued and unissued shares of par value of HK\$0.02 each into 1 share ("Consolidated Share") of par value of HK\$0.10 each.

#### *Capital Increase*

The authorised share capital of the Company was increased from HK\$100,000,000 divided into 1,000,000,000 Consolidated Shares of par value of HK\$0.10 each to HK\$500,000,000 divided into 5,000,000,000 Consolidated Shares of par value of HK\$0.10 each.

### (iii) Issue of shares for professional fee

On 29 April 2014, the Company issued and allotted 4,473,118 Remuneration Shares as to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors. The premium on the issue of shares amounting to approximately HK\$1,879,000 was credited to the Company's share premium account.

On 30 January 2015 and 22 July 2015, the Company issued and allotted 9,310,076 and 6,714,754 ordinary shares of HK\$0.1 each as to Mr. Wong Vai Nang, sole proprietor of Simon Ho & Co., Solicitors for settlement of the fee for legal advisory services provided. The premium on the issue of shares amounting to approximately HK\$3,425,000 was credited to the Company's share premium account.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 30. SHARE CAPITAL *(Continued)*

Note: *(Continued)*

### (iv) Issue of new shares

On 26 May 2015, the Company issued and allotted 58,680,000 ordinary shares of HK\$0.01 each to the subscribers at a price of HK\$0.38 per share and the premium on the issue of shares, amounting to approximately HK\$16,430,000 was credited to the Company's share premium account.

### (v) Issue of shares for settlement of borrowings

On 22 July 2015, the Company issued and allotted 23,461,177 shares as to settle the borrowing of the Company. The premium on the issue of shares amounting to approximately HK\$4,671,000 was credited to the Company's share premium account.

### (vi) Equity-settled share option arrangements

During the six months ended 30 June 2015, the Company issued 7,823,534 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.47 per share, for a total amount of approximately HK\$3,677,000, pursuant to the exercise of the Company's share option.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.



# Notes to the Financial Statements

For the year ended 31 December 2015

## 31. FINANCIAL INFORMATION OF THE COMPANY

### Statement of financial position

	Note	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		–	–
Investment in subsidiaries		159,056	159,056
Derivative instruments		–	251
		<u>159,056</u>	<u>159,307</u>
<b>Current assets</b>			
Other receivables, deposits and prepayments		939	479
Amount due from subsidiaries	(1)	114,167	96,721
Cash and cash equivalents		554	860
		<u>115,660</u>	<u>98,060</u>
<b>Current liabilities</b>			
Other payables		12,847	14,939
Amounts due to directors	(1)	260	261
Amounts due to subsidiaries	(1)	16,518	16,558
		<u>29,625</u>	<u>31,758</u>
<b>Net current assets</b>		<u>86,035</u>	<u>66,302</u>
<b>Total assets less current liabilities</b>		<u>245,091</u>	<u>225,609</u>
<b>Non-current liabilities</b>			
Convertible loan		–	31,632
<b>NET ASSETS</b>		<u>245,091</u>	<u>193,977</u>
<b>Capital and reserves</b>			
Share capital		95,707	76,589
Reserves	(2)	149,384	117,388
<b>TOTAL EQUITY</b>		<u>245,091</u>	<u>193,977</u>

# Notes to the Financial Statements

For the year ended 31 December 2015

## 31. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Notes:

- (1) the amounts due are unsecured, interest-free and repayable on demand.
- (2) the movements of the Company's reserves are as follows:

### Movement of reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2014	264,287	7,859	–	140,281	(277,150)	135,277
Loss and total comprehensive loss for the year	–	–	–	–	(50,361)	(50,361)
Open offer	22,630	–	–	–	–	22,630
Issue of shares for settlement of professional fee	1,879	–	–	–	–	1,879
Equity-settled share option arrangements	–	–	7,963	–	–	7,963
At 31 December 2014 and 1 January 2015	288,796	7,859	7,963	140,281	(327,511)	117,388
Loss and total comprehensive loss for the year	–	–	–	–	(10,233)	(10,233)
Issue of new shares	16,430	–	–	–	–	16,430
Issue of shares for settlement of professional fee	3,425	–	–	–	–	3,425
Issue of shares for settlement of convertible bonds	20,870	(7,859)	–	–	1,797	14,808
Issue of shares for settlement of borrowings	4,671	–	–	–	–	4,671
Equity-settled share option arrangements	4,144	–	(1,249)	–	–	2,895
At 31 December 2015	<u>338,336</u>	<u>–</u>	<u>6,714</u>	<u>140,281</u>	<u>(335,947)</u>	<u>149,384</u>

Note:

Nature and purpose of reserves

- (i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 31. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Notes: *(Continued)*

(ii) Capital reserve

The capital reserve is the equity component of the convertible loan issued by the Group which is the difference between the gross proceeds of the issue of the convertible loans and the fair value assigned to the liability component and derivative component, representing the conversion option for the holder to convert the note into equity.

(iii) Share option reserve

The share option reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 5 to the consolidated financial statements.

(iv) Contributed surplus

The contributed surplus of the Company arose as a result of the same Group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would be after the payments, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(v) Special reserve

Special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal value of the Company's shares issued as part of the Group reorganisation in 1999 for the listing of the Company's shares on the Stock Exchange.

### Distributability of reserves

At the end of the reporting period, the Company did not have any reserves available for cash/in specie dividend distribution to owners of the Company.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 32. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgement to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity.

The gearing ratio at 31 December 2015 and 2014 was as follows:

	2015	2014
Total liabilities	<b>346,240</b>	81,877
Less: Cash and cash equivalents	<b>(11,625)</b>	(9,274)
Net debt	<b><u>334,615</u></b>	<u>72,603</u>
Total equity and adjusted capital	<b><u>676,924</u></b>	<u>191,239</u>
Gearing ratio	<b><u>49%</u></b>	<u>38%</u>

# Notes to the Financial Statements

*For the year ended 31 December 2015*

## **33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS**

On 23 June 2006, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contractor to any company in the Group or any affiliate; (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The subscription price for the shares of the Company under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant, which must be a business day; and (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share of the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Share Option Scheme from 23 June 2006.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options in issue under Share Option Scheme during the years ended 31 December 2014 and 2015:

Category of participant	Date of grant	Exercise period	Exercise price	Number of share options			
				Outstanding at 1 January 2015	Granted during the year	Exercised during the year	Outstanding at 31 December 2015
Directors	2 May 2014	2 May 2014 to 1 May 2017	0.47	28,188,272	–	(7,823,534)	20,364,738
Employees	2 May 2014	2 May 2014 to 1 May 2017	0.47	22,147,928	–	–	22,147,928
Total				50,336,200	–	(7,823,534)	42,512,666

Category of participant	Date of grant	Exercise period	Exercise price	Number of share options			
				Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Outstanding at 31 December 2014
Directors	2 May 2014	2 May 2014 to 1 May 2017	0.47	–	28,188,272	–	28,188,272
Employees	2 May 2014	2 May 2014 to 1 May 2017	0.47	–	22,147,928	–	22,147,928
Total				–	50,336,200	–	50,336,200

The options outstanding at the end of the year have a remaining contractual life of 1.5 years



# Notes to the Financial Statements

*For the year ended 31 December 2015*

## 34. LITIGATIONS AND CONTINGENT LIABILITIES

- (i) An Originating Summons was issued on 4 June, 2008 under High Court Miscellaneous Proceedings No.1059 of 2008 (“HCMP 1059/2008”) by Mr. Tsang Wai Lun, Wayland (“Tsang”), a former director and shareholder of the Company, as the plaintiff and the Company as the defendant under section 168BC of the Companies Ordinance (the old Cap.32 of the Law of Hong Kong), details of which please refer to Paragraph 34(i) of the Company’s Annual Report 2013.
- (ii) Pursuant to the statutory leave granted under H.C.M.P. 1059/2008, Tsang suing as a shareholder for and on behalf of the Company as the plaintiff issued a writ of summons against the aforesaid 8 then directors as 1st to 8th defendants in the High Court of Hong Kong on 18 March 2009 under High Court No.771 of 2009 (“the Action”). The title of the plaintiff was subsequently amended as the name of the Company by a court order dated 29 March, 2011.

In brief, the case was in relation to the alleged breaches by the 8 then directors (comprising the then board of directors of the Company) of their fiduciary duties and duties of care owed to the Company as directors in respect of certain resolutions and transactions and the Company claimed against the aforesaid 8 then directors for damages, etc.

Before the conclusion of the trial, the Company reached settlement with 3rd, 4th, 5th, 6th and 8th Defendant. The hearing of the Action was completed on 24 October, 2012 and Judgment was delivered on 17th June, 2014 in which, all the claims by the Company were dismissed and costs be granted to the 1st, 2nd and 7th Defendant with certificate of two counsel (“the Judgment”).

For details of the case please refer to Paragraph 34(ii) of the Company’s Annual Report 2013.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(ii) *(Continued)*

After the Judgment, the Company had been claimed by Tsang for re-imbursement of the legal costs pre-paid by Tsang in respect of HCMP 1059/2008 and the Action. According to the independent legal advices sought by the Company, the Company has reimbursed Tsang for the said legal costs.

Furthermore, the Company has to bear the legal costs of the 1st, 2nd and 7th Defendant in the Action.

In the opinion of the Directors, the legal costs incurred in the Action and HCMP which the Company has to bear are estimated to be HK\$20 million and provision thereof has been made accordingly. Please refer to the Profit Warning of the Company made on 29th July, 2014.

\* Upon the application of the Company, the court granted an order as amended on 5th June, 2014 for prohibition of disposal of the shares of the Company by Hong Kong Zhongxing Group Co., Limited ("HKZX") and/or Li Yi, the sole shareholder thereof to the amount of HK\$40,000,000. The said Injunction order was discharged by the Court on 12th November, 2014.

\*\* Pursuant to the leave granted by High Court on 23rd August, 2013, the Company has instituted an originating summons against Huang Binghuang and/or Li Yi for contempt of court as a result of their alleged breach of the Injunctions orders granted under the Action. This originating Summons has yet to be tried. In the opinion of the Directors, has no material impact on the operation of the Group since neither does Huang Binghuang nor Li Yi hold any office in the Group. The Directors cannot reliably measure the financial impact until the conclusion of these proceedings.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

- (iii) Having sought legal advice, the Company has lodged an appeal to the Court of Appeal on 11th July, 2014 against the Judgment under CACV 140/2014 ("the Appeal"). The Appeal was heard on 9th December, 2015 and was dismissed on 20th January, 2016 and 1st Defendant's costs of the Appeal and the 7th Defendant's costs up to the date of the Company's withdrawal of the Appeal against the 7th Defendant be paid by the Company and there being no order as to costs between the Company and the 2nd Defendant.

The costs orders against the Company in the Action and the Appeal respectively are still subject to taxation and the Company's own costs in the Action had been wholly settled and the amount of the Company's own costs in the Appeal is estimated at less than HK\$3 million. The Directors after having sought legal advice opine that the said costs orders and the outstanding own costs will have no material impact on the financial position and since none of the Defendants are in the management of the Company, the Directors opine that the Action and the Appeal will have no material impact on the operations of the Group.

- (iv) In 2006, the Group's wholly owned subsidiary, Shing Fat Hong Limited ("Shing Fat Hong"), signed a tenancy agreement with a karaoke operator for a ten-year period, whereby Shing Fat Hong was required to renovate and combine two entire floors of its commercial properties in Dongguan. The karaoke operator failed to apply for an operating license due to non-compliance of the building structure with fire safety regulations. Since 2007, the tenant initiated several legal proceedings against Shing Fat Hong in Local PRC courts for validation of the tenancy agreement and for compensation of decoration fees and other economic losses of RMB4,500,000. However, Shing Fat Hong appealed and further sued the tenant in local PRC courts for compensation of renovation and restoration of the properties, loss of rental income and other economic losses of RMB2,056,000. In 2009, Shing Fat Hong has lost in a court case to claim against the tenant for compensation of restoration of the properties but Shing Fat Hong appealed to the Intermediate People's Court of Dongguan City, Guangdong Province. On 10th April, 2013, the Intermediate People's Court of Dongguan City, Guangdong Province issued a civil judgment, under which such cases were ordered to remand back to the Third People's Court of Dongguan City, Guangdong Province for retrial. On 8th January, 2016, the Third People's Court of Dongguan City, Guangdong Province had delivered judgments but the parties have lodge relevant appeals and still pending hearing. Therefore, legal proceedings between Shing Fat Hong and the tenant are still ongoing.

In the opinion of the Directors, these proceedings will have no material impact on the operations of the Group. The Directors cannot reliably measure the financial impact of the said proceedings until the conclusion thereof.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

- (v) On 5th December, 2013, an originating summons was instituted by HKZX, a then substantial shareholder of the Company as plaintiff and the Company as defendant under High Court Miscellaneous Proceedings No.3278 of 2013 in which the said plaintiff seeks leave from the High Court under section 168BC of the Companies Ordinance (the old Cap.32 of the Law of Hong Kong) to claim on behalf of the Company against Tsang Wai Lun Wayland and Kwok Wai Man Nancy (hereinafter collectively referred to as "Tsangs"), the former Chairman and executive directors of the Company respectively for their alleged breach of fiduciary duties and claims costs to be paid by the Company on an indemnity basis.

After hearing of the said Originating Summons, upon the Company's undertaking to pursue the High Court Action No.HCA2471/2008, details of which are prescribed in paragraph (ix) hereinafter and to keep the plaintiff informed of the progress thereof, the Court ordered that the originating summons be adjourned sine dine with liberty to apply. By an order dated 20th November, 2014, the Company should pay the costs of the said originating summons to HKZX, the amount of which had been agreed and paid by the Company.

- (vi) On 14th January, 2014, the Company as plaintiff has instituted a Writ of Summons under High Court Action HCA 85/2014 against 1st Defendant Li Yi, the then sole shareholder of HKZX, 2nd Defendant, Huang Binghuang, a former executive director of the Company and 3rd Defendant the HKZX. Please refer to Paragraph 33(ix) of the Company's 2014 Annual Report for details thereof.

The writ of summons had been served upon HKZX on 15th January, 2014. The Defence and the Reply thereto have been filed by the HKZX and the Company respectively. The Company is seeking legal advice as to whether or not to proceed with this action after the dismissal of the Appeal.

As the 2nd Defendant has resigned from the Company and the 1st and 3rd Defendant have not been involved in the Company's management, the Directors are of the opinion that the said action will have no material impact on the operations of the Group. The Directors cannot reliably measure the financial impact of the said writ of summons until the conclusion thereof.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

- (vii) The Case no.(2013) Shen Luo Fa Min Er Chu Zi Di No.602(2013) under which Shenzhen City Yizhou Hotel Management Co., Limited (“Shenzhen YiZhou”) as plaintiff initiated proceedings against, among others, four companies, namely GF Land Development (Shenzhen), Hong Kong Grand Field Group Limited, Shenzhen City Liangzi Jingshun Investment Management Co., Limited (“Shenzhen Liangzi”), and Huilai County Haoyuan Industrial Co., Limited for the alleged jeopardizing the plaintiff’s right. This case was heard and judgment was delivered on 10th July, 2014 in favour of the Defendants. However, the plaintiff appealed but the appeal was dismissed on 16th February, 2016.

The Directors are of the opinion that the case has no material impact on the operations of the group but are unable to assess the impact on the financial position of the Group relating to this case.

- (viii) A summons was issued and filed with Lo Hu Court against GF Land Development (Shenzhen) in which Shenzhen YiZhou as plaintiff claims against GF Land Development (Shenzhen) as defendant for a total sum of RMB13,380,000 and interest. By a civil judgment of Lo Hu Court dated 21st October, 2014, it was ordered, inter alia, that the interest of GF Land Development (Shenzhen) in Shenzhen Land was distrained up to the amount of RMB12,717,600 pending the outcome of the Summons. The substantial issues of this summons have not been tried yet.

By a civil judgment of Lo Hu Court dated 5th December, 2014 the Shenzhen Land formerly distrained had been released after the provision of the properties owned by Shing Fat Hong as guaranty. The amount to be distrained remains RMB12,717,600 pending the outcome of the Summons. After the said release, the registered title of the Shenzhen Land has been successfully transferred into Shenzhen Zongke.

In the opinion of the Directors, the summons has no material impact on the operations of the Group. However, the Directors cannot reliably measure the financial impact of the summons until the summons has been finally concluded.



## Notes to the Financial Statements

For the year ended 31 December 2015

### 34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

- (ix) Pursuant to Order granted in HCMP 3278/2013 as mentioned in paragraph (v) hereinbefore, the Company instructed Counsel to amend the statement of claim of High Court Action No.HCA2471/2008 which was instituted in 2008 by the Company as Plaintiff against its former executive directors and current substantial shareholders Mr. Tsang Wai Lun Wayland and Madam Kwok Wai Man Nancy as 1st and 2nd Defendants and discontinued the claims against the remaining Defendants. The 1st and 2nd Defendants have filed their defence and the Company has filed its Reply. The said Action is still in progress.

In the opinion of the Directors, this High Court Action will have no material impact on the operations of the Group as Tsangs have resigned from the Company and they have given undertakings not to be involved in the management of the Company. The Directors are of the opinion that this Action shall have no financial impact upon the Company at this stage.

- (x) (a) On 19th February, 2014 the Company received a writ of summons (the "China Writ of Summons") issued and filed with the Luo Hu People's Court, Shenzhen City, PRC ("the Court") by SZ Computer ("the Plaintiff") claiming against GF Land Development (Shenzhen) (the "1st Defendant"), a wholly-owned subsidiary of GF Group, GF Group (the 2nd Defendant") and a Shenzhen City Liangzi Jingshun Investment Management Co., Ltd. ("Shenzhen Liangzi") (the 3rd Defendant"), (the 1st, 2nd and 3rd Defendants are hereinafter collectively referred to as "the Defendants") and an Independent Third Party for repayment of a sum of RMB5,000,000 plus accrued interest calculated up to 2nd December, 2013 for RMB3,500,000 and costs. For details please refer to paragraph 33 (xii)(a) of the Company's Annual Report 2014.

The Writ of Summons was heard and the Plaintiff's claims were dismissed by the judgment dated 30th October, 2014. However, the Plaintiff appealed against the said judgment and the appeal has been heard on 4th November, 2015 but judgment thereof has not been delivered.



# Notes to the Financial Statements

For the year ended 31 December 2015

## 34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(x) *(Continued)*

- (b) In order to protect the interest of the Company and Shareholders as a whole, the Group has consulted its Hong Kong legal adviser and was advised, as an alternative, GF Group instituted legal proceedings under H.C.A. 294/2014 against HKZX as the recipient of the Re-paid Sum for recovery of the same and interest accrued thereon and costs ("the Hong Kong Writ of Summons"). The hearing date of the Hong Kong Writ of Summons has not been fixed.

In the opinion of the Directors, the China Writ of Summons and the Hong Kong Writ of Summons will have no material impact on the operations of the Group. However, the Directors cannot reliably measure the financial impact of the said China and Hong Kong Writ of Summons until its final judgment shall have been delivered.

- (xi) Under the case no.(2015) Shen Long Fa Xing Chu Zi Di No.143, HKZX initiated an administrative action to Shenzhen Longgang District People's Court against Shenzhen Real Estate Ownership Registration Centre with Grand Field Group Limited and Grand Field Land Development (Shenzhen) Company Limited as the third parties in these proceedings. By a judgment dated 30th December, 2015, HKZX's claims were dismissed.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group.

- (xii) Under the case No.(2014) Shen Luo Fa Min Er Chu Zi De No.5103, Shenzhen YiZhou as the plaintiff claims against Grand Field Land Development (Shenzhen) Company Limited ("GF Land") as the defendant for the right of replacement of Shenzhen Liangzi to claim against GF Land for the sum allegedly owed to Shenzhen Liangzi by GF Land in order to satisfy a judgment granted by a Court in China in favour of Shenzhen YiZhou as the plaintiff therein against Shenzhen Liangzi as the defendant therein which ordered Shenzhen Liangzi to pay Shenzhen YiZhou a sum of RMB10,280,000.00. This action has been tried on 23rd November, 2015 and the judgment thereof has yet to be delivered.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

- (xiii) Under the case no.(2015) Shen Long Fa Xing Chu Zi Di No. 238, Shenzhen Liangzi initiated an administrative action to Shenzhen Longgang District People's Court against Shenzhen Real Estate Ownership Registration Centre with Grand Field Group Limited and Grand Field Land Development (Shenzhen) Company Limited as the third parties in these proceedings. These proceedings were tried and by the Administrative Judgment dated 23rd February, 2016 Shenzhen Liangzi's claims were dismissed.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group.

- (xiv) Under the case no.(2015) Shen Long Fa Xing Chu Zi Di No. 239, Shenzhen Liangzi initiated an administrative action to Shenzhen Longgang District People's Court against Shenzhen Real Estate Ownership Registration Centre with Grand Field Group Limited, Grand Field Land Development (Shenzhen) Company Limited and Shenzhen Zongke as the third parties in these proceedings. These proceedings were tried and by the Administrative Judgment dated 23rd February, 2016 Shenzhen Liangzi's claims were dismissed.

In the opinion of the Directors, the said proceedings have no material impact on the operations of the Group.

Save as disclosed above, in the opinion of the Directors, the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 35. COMMITMENTS

- (a) The Group had the following material commitments at the end of the reporting period:

	2015 HK\$'000	2014 HK\$'000
Contracted but not provided for:		
Capital contribution to PRC companies	<u>193,436</u>	<u>205,273</u>

- (b) **As lessee**

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases are payable which fall due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	604	604
In the second to fifth years inclusive	<u>225</u>	<u>829</u>
	<u>829</u>	<u>1,433</u>

The Group leases two office premises under operating leases. The leases typically run for an initial period of 3 years (2014: 3 years), at the end of which period all terms are negotiated. None of the lease includes contingent rentals.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 35. COMMITMENTS (Continued)

### (c) As lessor

Property rental income earned during the year was approximately HK\$2,129,000 (2014: HK\$2,474,000).

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	2015 HK\$'000	2014 HK\$'000
Within one year	1,021	1,010
In the second to fifth years inclusive	2,496	998
	<u>3,517</u>	<u>2,008</u>

The Group leases its investment properties (Note 16) under operating lease arrangements which run for an initial period of one to seven years (2014: one to seven years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The properties are expected to generate rental yields of 5.14% (2014: 2.1%) on an ongoing basis.

## 36. RELATED PARTY TRANSACTIONS

The remuneration of the Group's key management personnel is disclosed in Note 11 to the consolidated financial statements.

## 37. APPROVAL OF FINANCIAL STATEMENTS

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

## Five-Year Financial Summary

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the five years ended 31 December 2015.

### CONSOLIDATED RESULTS

	For the years ended 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	<u>3,843</u>	<u>3,368</u>	<u>5,037</u>	<u>12,106</u>	<u>5,618</u>
Profit/(loss) before tax	<u>1,226,036</u>	(69,129)	(46,346)	(20,604)	(7,611)
Income tax	<u>(303,500)</u>	–	(103)	(190)	(3,952)
Loss for the year	<u>922,536</u>	<u>(69,129)</u>	<u>(46,449)</u>	<u>(20,794)</u>	<u>(11,563)</u>

### CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Total assets	<u>1,626,671</u>	440,554	291,751	293,072	280,578
Total liabilities	<u>(346,240)</u>	<u>(81,877)</u>	<u>(78,513)</u>	<u>(57,828)</u>	<u>(33,616)</u>
Net assets	<u>1,280,431</u>	<u>358,677</u>	<u>213,238</u>	<u>235,244</u>	<u>246,962</u>