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GREEN INTERNATIONAL

Holdings Limited

格林國際控股有限公司

GREEN INTERNATIONAL HOLDINGS LIMITED

格林國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2700)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The board (the “Board”) of directors (the “Directors”) of Green International Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2015, which have been prepared in accordance with the generally accepted accounting principles in Hong Kong, together with comparative figures for the year 2014 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	3	45,620	160,940
Direct costs and operating expenses	5	<u>(18,595)</u>	<u>(147,899)</u>
Gross profit		27,025	13,041
Other income and gains	4	9,902	1,021
Gain on bargain purchase on acquisition of subsidiaries	15(a)	36,918	–
Selling expenses	5	(29,767)	(25,877)
Administrative expenses	5	(77,103)	(41,627)
Fair value change of derivative financial instruments			
– Early redemption option	12(f)&13(a)	(47,690)	–
Provision for impairment of property, plant and equipment		(10,240)	–
Provision for impairment of goodwill		(160,877)	(29,759)
Provision of discount on past due balances of trade receivables		–	(10,601)
Finance income/(costs), net	6	<u>45,605</u>	<u>(4,255)</u>
Loss before income tax		(206,227)	(98,057)
Income tax expense	7	<u>(2,624)</u>	<u>(728)</u>
Loss for the year		<u>(208,851)</u>	<u>(98,785)</u>

	<i>Notes</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
(Loss)/Profit for the year attributable to:			
– Equity holders of the Company		(205,103)	(99,147)
– Non-controlling interests		<u>(3,748)</u>	<u>362</u>
		<u>(208,851)</u>	<u>(98,785)</u>
Loss per share for loss for the year attributable to the equity holders of the Company			
– Basic (<i>HK cents</i>)	8	<u>(10.40)</u>	<u>(5.99)</u>
– Diluted (<i>HK cents</i>)	8	<u>(10.40)</u>	<u>(5.99)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK\$'000	2014 <i>HK\$'000</i>
Loss for the year	(208,851)	(98,785)
Other comprehensive income, net of tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences		
– Exchange differences arising during the year	5,155	608
– Reclassification adjustments relating to foreign operations disposed of	<u>–</u>	<u>21</u>
	<u>5,155</u>	<u>629</u>
Total comprehensive expenses for the year	<u>(203,696)</u>	<u>(98,156)</u>
Total comprehensive (expenses)/income for the year attributable to:		
– Equity holders of the Company	(199,735)	(98,483)
– Non-controlling interests	<u>(3,961)</u>	<u>327</u>
	<u>(203,696)</u>	<u>(98,156)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		25,148	15,772
Goodwill		–	160,877
Trademark user right and technical know-how		222,222	–
Other intangible assets		1,767	1,568
Derivative financial instruments			
– Put option	15(a)	5,910	–
– Early redemption option	12(f)&13(a)	22,546	–
Deposit paid for acquisition of subsidiaries	15(a)	–	20,000
		<u>277,593</u>	<u>198,217</u>
Current assets			
Inventories		6,831	696
Trade receivables	10	98,993	111,325
Loan receivable		51,000	19,000
Prepayments, deposits and other receivables		50,874	38,222
Tax recoverable		707	707
Cash and cash equivalents		53,129	131,205
		<u>261,534</u>	<u>301,155</u>
Total assets		<u>539,127</u>	<u>499,372</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	11	19,725	18,537
Share premium		544,946	495,054
Other reserves		80,598	69,326
Accumulated losses		(301,527)	(128,187)
		<u>343,742</u>	<u>454,730</u>
Non-controlling interests		<u>4,257</u>	<u>6,876</u>
Total equity		<u>347,999</u>	<u>461,606</u>

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
LIABILITIES			
Non-current liabilities			
Convertible bonds	<i>12</i>	44,669	8,584
Bonds payable		9,705	–
Contingent consideration payables	<i>13</i>	49,247	273
Deferred tax liabilities		22,222	–
		<u>125,843</u>	<u>8,857</u>
Current liabilities			
Trade payables	<i>14</i>	6,020	3,632
Other payables, accruals and deposits received		51,152	25,266
Convertible bonds	<i>12</i>	5,482	–
Tax payable		2,631	11
		<u>65,285</u>	<u>28,909</u>
Total liabilities		<u>191,128</u>	<u>37,766</u>
Total equity and liabilities		<u>539,127</u>	<u>499,372</u>
Net current assets		<u>196,249</u>	<u>272,246</u>
Total assets less current liabilities		<u>473,842</u>	<u>470,463</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in 2006.

Following the acquisition of the beauty and wellness business in May 2015 (Note 15(a)), the Group was principally engaged in the manufacturing and trading of recreational and educational toys and equipment, operation of clubhouse business and provision of beauty and wellness services during the year.

The Directors consider Gold Bless International Invest Limited (“Gold Bless”), a company incorporated in the British Virgin Islands (the “BVI”), to be the immediate and ultimate holding company of the Company.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), and all values are rounded to the nearest thousand unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 30 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of consolidated financial statements.

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding the preparation of accounts and directors’ reports and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Companies Ordinance or Listing Rules but not under the new Companies Ordinance or amended Listing Rules are not disclosed in these consolidated financial statements.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the 2015 annual report.

2.2 Adoption of new standards and amendments to existing standards and other applicable disclosure requirements

(a) *Effect of adopting amendments to existing standards*

The following amendments to existing standards have been adopted by the Group in the current year.

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

The adoption of these amendments to existing standards has no material effect on the amounts reported and disclosures set out in the consolidated financial statements of the Group for the current or prior accounting periods.

(b) *New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group*

The following published new standards and amendments to existing standards are mandatory for the Group's financial years beginning on or after 1 January 2016 and have not been early adopted by the Group.

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

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

The Directors anticipate that the adoption of the above new standards and amendments to existing standards will not result in a significant impact on the results and financial position of the Group.

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

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3 REVENUE AND SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board is identified as the Group's chief operating decision-maker. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products or services they provide. Each of the Group's business segments represent a strategic business unit that offers products or services which are subject to risks and returns that are different from those of the other business segments. Management considers the Group's business segments are as follows:

- (a) the toys business segment engages in the manufacturing and trading of recreational and educational toys and equipment;
- (b) the clubhouse business segment (acquired in January 2014) (Note 15(b)(i)) engages in the operation of clubhouse business; and
- (c) the beauty and wellness business segment (acquired in May 2015) (Note 15(a)) engages in the provision of beauty and wellness related services.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transactions are transacted according to the relevant prevailing market prices.

Segment results are presented as operating profit or loss.

The Group primarily operates in Hong Kong and the PRC.

Revenue of the Group by operating segments and geographical regions is as follows:

	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2015				
Hong Kong	162	–	–	162
The PRC	7,458	16,269	21,668	45,395
Japan	63	–	–	63
	<u>7,683</u>	<u>16,269</u>	<u>21,668</u>	<u>45,620</u>

	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2014				
Hong Kong	1,208	–	–	1,208
The PRC	6,083	17,205	–	23,288
Europe	57,417	–	–	57,417
Japan	72,449	–	–	72,449
South America	924	–	–	924
North America	3,383	–	–	3,383
Others	2,271	–	–	2,271
	<u>143,735</u>	<u>17,205</u>	<u>–</u>	<u>160,940</u>

Revenue is allocated based on the geographical locations in which customers are located and the geographical locations of operations for toys business segment and clubhouse/beauty and wellness segment, respectively. During the year ended 31 December 2015, revenue of approximately HK\$7,458,000 (2014: HK\$121,637,000) were derived from 1 major customer (2014: 2 customers) who individually account for more than 10% of the total revenue.

Results by operating segments are as follows:

	2015 HK\$'000	2014 HK\$'000
Toys business (<i>Note (i)</i>)	(16,718)	(47,962)
Clubhouse business (<i>Note (ii)</i>)	(197,777)	(27,261)
Beauty and wellness business	<u>6,247</u>	<u>–</u>
Total net operating loss by operating segments	(208,248)	(75,223)
Unallocated corporate expenses, net	(33,734)	(18,840)
Gain on bargain purchase on acquisition of subsidiaries (<i>Note 15(a)</i>)	36,918	–
Gain on issue of bonds payable (<i>Note 4</i>)	922	–
Gain on disposal of a subsidiary (<i>Note 16</i>)	–	261
Fair value change of derivative financial instruments		
– Early redemption option (<i>Note 12(f) & 13(a)</i>)	(47,690)	–
Finance income/(costs), net (<i>Note 6</i>)	<u>45,605</u>	<u>(4,255)</u>
Loss before income tax	(206,227)	(98,057)
Income tax expense (<i>Note 7</i>)	<u>(2,624)</u>	<u>(728)</u>
Loss for the year	<u>(208,851)</u>	<u>(98,785)</u>

Note: (i) For the year ended 31 December 2014, provision for impairment of goodwill and provision for discount on past due balances of trade receivables of approximately HK\$29,759,000 and HK\$10,240,000, respectively, was included within toys business segment.

(ii) For the year ended 31 December 2015, provision for impairment of property, plant and equipment and goodwill of approximately HK\$10,240,000 and HK\$160,877,000, respectively, was included within clubhouse business segment.

Total assets of the Group by operating segments and geographical regions are as follows:

	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
As at 31 December 2015				
Hong Kong	98,113	–	–	98,113
The PRC	5,289	7,703	257,119	270,111
	<u>103,402</u>	<u>7,703</u>	<u>257,119</u>	<u>368,224</u>
Derivative financial instruments				5,910
– Put option				22,546
– Early redemption option				142,447
Unallocated corporate assets				<u>539,127</u>
				<u>539,127</u>
	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
As at 31 December 2014				
Hong Kong	118,722	–	–	118,722
The PRC	1,499	181,009	–	182,508
	<u>120,221</u>	<u>181,009</u>	<u>–</u>	<u>301,230</u>
Unallocated corporate assets				178,142
Deposit paid for acquisition of subsidiaries				20,000
				<u>499,372</u>

Total assets are allocated based on their geographical locations.

Non-current assets of the Group by operating segments and geographical regions are as follows:

	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
As at 31 December 2015				
Hong Kong	66	–	–	66
The PRC	488	–	243,316	243,804
	<u>554</u>	<u>–</u>	<u>243,316</u>	<u>243,870</u>
Derivative financial instruments				
– Put option				5,910
– Early redemption option				22,546
Unallocated corporate assets				5,267
				<u>277,593</u>
				<u>277,593</u>
	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
As at 31 December 2014				
Hong Kong	61	–	–	61
The PRC	642	174,874	–	175,516
	<u>703</u>	<u>174,874</u>	<u>–</u>	<u>175,577</u>
Unallocated corporate assets				2,640
Deposit paid for acquisition of subsidiaries				20,000
				<u>198,217</u>
				<u>198,217</u>

Non-current assets are allocated based on their geographical locations.

Capital expenditures of the Group by operating segments and geographical regions are as follows:

	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2015				
Hong Kong	45	–	–	45
The PRC	–	2,721	6,983	9,704
	<u>45</u>	<u>2,721</u>	<u>6,983</u>	<u>9,749</u>
Unallocated corporate capital expenditures				3,566
Cash paid for acquisition of subsidiaries (Note 15(a))				<u>34,250</u>
				<u><u>47,565</u></u>
	Toys business HK\$'000	Clubhouse business HK\$'000	Beauty and wellness business HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2014				
Hong Kong	53	–	–	53
The PRC	7,611	2,116	–	9,727
	<u>7,664</u>	<u>2,116</u>	<u>–</u>	<u>9,780</u>
Unallocated corporate capital expenditures				695
Cash paid for acquisition of subsidiaries				2,010
Deposit paid for acquisition of subsidiaries				<u>20,000</u>
				<u><u>32,485</u></u>

Capital expenditures are allocated based on their geographical locations.

4 OTHER INCOME AND GAINS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Sundry income	4,201	86
Exchange gain	2,792	674
Gain on disposal of a subsidiary (<i>Note 16</i>)	–	261
Gain on issue of bonds payable	922	–
Pre-acquisition expenses borne by an ex-shareholder of a subsidiary	1,987	–
	<u>9,902</u>	<u>1,021</u>

5 EXPENSES BY NATURE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditor's remuneration	774	771
Depreciation of property, plant and equipment	8,735	6,920
Merchandise purchased and changes in inventories	15,534	139,595
Employee benefit expenses	37,930	28,214
Operating lease rental expenses	17,806	13,179
Others	44,686	26,724
	<u>125,465</u>	<u>215,403</u>
Total direct costs, operating expenses, selling expenses and administrative expenses	<u>125,465</u>	<u>215,403</u>

6 FINANCE INCOME/COSTS, NET

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest income:		
– Bank deposits	138	76
– Loan receivable	4,913	230
Fair value change of contingent consideration payable (<i>Note 13</i>)	19,754	2,112
Interest expense:		
– Amount due to controlling shareholder	–	(527)
– Convertible bonds (<i>Note 12</i>)	(6,474)	(6,146)
– Bonds payable	(57)	–
Convertible bonds written back pursuant to profit guarantee (<i>Note 12</i>)	27,331	–
	<u>45,605</u>	<u>(4,255)</u>
Finance income/(costs), net	<u>45,605</u>	<u>(4,255)</u>

7 INCOME TAX EXPENSE

Hong Kong profits tax and PRC Enterprise Income Tax have been provided at the rate of 16.5% (2014: 16.5%) and 25% (2014: 25%), respectively, on the estimated assessable profits during the year, based on existing legislation, interpretations and practices in respect thereof.

The amounts of income tax expense charged to the consolidated statement of profit or loss represent:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current taxation		
– Hong Kong profits tax	–	737
– PRC Enterprise Income Tax	<u>2,624</u>	<u>2</u>
	2,624	739
Write back of over-provision in respect of prior years		
– Hong Kong profits tax	–	(11)
	<u>2,624</u>	<u>728</u>

8 LOSS PER SHARE

Basic

The calculation of basic loss per share is based on the consolidated loss attributable to the equity holders of the Company of approximately HK\$205,103,000 (2014: HK\$99,147,000) divided by the weighted average number of approximately 1,972,453,000 (2014: 1,654,760,000) ordinary shares in issue during the year, after taking into consideration of the mandatorily convertible bonds issued on 30 January 2014 as partial satisfaction of the consideration for the acquisition of a clubhouse business (Note 15(b)(i)) and the effect of an open offer completed in August 2014 (Note 11(a)(iv)).

	2015	2014
Loss attributable to the equity holders of the Company (<i>HK\$'000</i>)	(205,103)	(99,147)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,972,453	1,654,760
Basic loss per share (<i>HK cents</i>)	<u>(10.40)</u>	<u>(5.99)</u>

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding (after taking into consideration of the mandatorily convertible bonds as mentioned above) to assume exercise/conversion of all dilutive potential ordinary shares (excluding shares issuable upon the conversion of the mandatorily convertible bonds as mentioned above). The Company has 4 categories of dilutive potential ordinary shares: share options (Note 11(b)), convertible bonds (Note 12) (excluding the mandatorily convertible bonds), convertible bonds issuable for the acquisition of Tai Cheng International Limited in 2012 (the “Tai Cheng CB”) (Note 13(b)) and convertible bonds issuable for the acquisition of Rainbow Star in the current year (the “Marsa CB”) (Note 13(a)).

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the year) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Hence, the share options have a dilutive effect only when the average market price of ordinary shares during the year exceeds the exercise price of the share options.

For the convertible bonds (excluding the mandatorily convertible bonds), the Tai Cheng CB and the Marsa CB, they are assumed to have been converted into ordinary shares, and the loss for the year attributable to the equity holders of the Company is adjusted to eliminate the interest expense of the convertible bonds and fair value change of the liability components of the Tai Cheng CB and the Marsa CB.

The computation of diluted loss per share for the year ended 31 December 2015 did not assume the exercise of the Company's outstanding share options since their exercise price was higher than the average market price per share. The computation of diluted loss per share for the year ended 31 December 2014 did not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

The computation of diluted loss per share for the years ended 31 December 2015 and 2014 did not assume the conversion of the Company's outstanding convertible bonds, the Tai Cheng CB and the Marsa CB since their assumed conversion would result in a decrease (2014: decrease) in loss per share.

9 DIVIDENDS

No dividend in respect of the year ended 31 December 2015 (2014: Nil) is to be proposed at the forthcoming annual general meeting.

10 TRADE RECEIVABLES

	2015 HK\$'000	2014 <i>HK\$'000</i>
Trade receivables	150,972	163,304
<i>Less: Provision for discount on past due balances</i>	(51,979)	<i>(51,979)</i>
	<u>98,993</u>	<u>111,325</u>

The Group's trade receivables are generally with credit periods of 90 days (2014: 90 days). The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the trade receivables. The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values.

The ageing analysis of trade receivables as at 31 December 2015 and 2014 are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 30 days	1,396	2,772
31 – 60 days	874	44
61 – 90 days	473	37
91 – 180 days	86	2,626
Over 180 days	148,143	157,825
	150,972	163,304

11 SHARE CAPITAL

Authorised capital

	Number of shares	Nominal value <i>HK\$'000</i>
At 1 January 2014, 31 December 2014 and 31 December 2015, ordinary shares of HK\$0.01 each	4,000,000,000	40,000

Issued and fully paid capital

	Number of shares	Nominal value <i>HK\$'000</i>
At 1 January 2014	1,218,983,724	12,190
Issue of shares upon exercise of share options (<i>Note (a)(i)</i>)	1,000,000	10
Issue of shares upon conversion of convertible bonds (<i>Note (a)(ii)</i>)	51,080,000	511
Issue of shares upon conversion of convertible bonds (<i>Note (a)(iii)</i>)	60,000,000	600
Issue of shares upon completion of an open offer (<i>Note (a)(iv)</i>)	399,319,117	3,993
Issue of shares upon exercise of share options (<i>Note (a)(v)</i>)	7,000,000	70
Issue of shares upon conversion of convertible bonds (<i>Note (a)(vi)</i>)	116,279,069	1,163
At 31 December 2014	1,853,661,910	18,537
Issue of shares upon conversion of convertible bonds (<i>Note (a)(vii)</i>)	58,139,534	581
Issue of shares upon conversion of convertible bonds (<i>Note (a)(viii)</i>)	60,651,162	607
At 31 December 2015	1,972,452,606	19,725

Notes:

(a) Issue of new shares

- (i) On 16 January 2014, 1,000,000 outstanding share options were exercised at an exercise price of HK\$0.37 per share and, accordingly, the Company allotted and issued a total of 1,000,000 shares to the grantee. The proceeds was used as working capital of the Group.
- (ii) On 18 February 2014, certain outstanding convertible bonds with an aggregate principal amount of HK\$25,540,000 were converted into the shares of the Company at a conversion price of HK\$0.50 per share and, accordingly, the Company allotted and issued a total of 51,080,000 shares to the convertible bond holders (Note 12(b)).
- (iii) On 18 July 2014, certain outstanding convertible bonds with an aggregate principal amount of HK\$30,000,000 were converted into the shares of the Company at a conversion price of HK\$0.50 per share and, accordingly, the Company allotted and issued a total of 60,000,000 shares to the convertible bond holders (Note 12(c)).
- (iv) On 19 August 2014, upon the completion of an open offer on the basis of 3 offer shares for every 10 shares, 399,319,117 shares of the Company were issued at a subscription price of HK\$0.45 per share to the shareholders of the Company. The net proceeds was approximately HK\$178,007,000 and was used for potential acquisitions and investments and as working capital of the Group.
- (v) On 29 August 2014, 7,000,000 outstanding share options were exercised at an exercise price of HK\$0.32 per share (as adjusted to reflect the open offer as detailed in (iv) above) and, accordingly, the Company allotted and issued a total of 7,000,000 shares to the grantee. The proceeds was used as working capital of the Group.
- (vi) On 30 December 2014, certain outstanding convertible bonds with an aggregate principal amount of HK\$50,000,000 were converted into the shares of the Company at a conversion price of HK\$0.43 (as adjusted to reflect the open offer as detailed in (iv) above) per share and, accordingly, the Company allotted and issued a total of 116,279,069 shares to the convertible bond holders (Note 12(c)).
- (vii) On 30 January 2015, certain outstanding convertible bonds with an aggregate principal amount of HK\$25,000,000 were converted into the shares of the Company at a conversion price of HK\$0.43 (as adjusted to reflect the open offer as detailed in (iv) above) per share and, accordingly, the Company allotted and issued a total of 58,139,534 shares to the convertible bond holders (Note 12(b)).
- (viii) On 17 April 2015, certain outstanding convertible bonds with an aggregate principal amount of HK\$26,080,000 were converted into the shares of the Company at a conversion price of HK\$0.43 (as adjusted to reflect the open offer as detailed in (iv) above) per share and, accordingly, the Company allotted and issued a total of 60,651,162 shares to the convertible bond holders (Note 12(b)).

(b) Share option scheme

On 2 September 2006, a share option scheme (the “Share Option Scheme”) was approved by the shareholders of the Company, under which the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

- (i) On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK\$0.37 per share were granted to certain eligible participants (as defined under the Share Option Scheme) which were vested immediately on the date of grant and expire on 10 May 2022.

The weighted average fair value of options granted in 2012 determined using the Trinomial Option Pricing Model was HK\$0.21 per option. The significant inputs into the model were weighted average share price of HK\$0.37 at the grant date, exercise price as shown above, volatility of 45%, dividend yield of 0%, an expected option life of 10 years, and annual risk-free interest rate of 1.14%.

- (ii) During the year ended 31 December 2014, 2 grantees exercised a total of 8,000,000 share options (detailed in (a)(i) and (a)(v) above).
- (iii) The exercise price of the share options has been adjusted from HK\$0.37 per share to HK\$0.32 per share with effect from 19 August 2014 as a result of an open offer completed on 19 August 2014.
- (iv) In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme and was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,246,050 share options under the Share Options Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK\$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). However, no share options were accepted by the grantees within 28 days from the date of offer in accordance with the rules of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the year.

- (v) Movements in the share options are as follows:

	2015		2014	
	Weighted average exercise price in HK\$ per share	Number of share options	Weighted average exercise price in HK\$ per share	Number of share options
At 1 January	0.32	55,800,000	0.37	63,800,000
Exercised	-	-	0.33	(8,000,000)
At 31 December	0.32	55,800,000	0.32	55,800,000
			2015	2014
- Number of share options exercisable at year ended			55,800,000	55,800,000
- Range of exercise prices			HK\$0.32	HK\$0.32
- Weighted average remaining contractual life			6.35 years	7.35 years

12 CONVERTIBLE BONDS

The liability components of the convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	1st Tai Cheng CB HK\$'000 (Note (a))	Big Point CB HK\$'000 (Note (b))	Shanghai Zhenrong CB HK\$'000 (Note (c))	Ms. You CB HK\$'000 (Note (c))	2nd Tai Cheng CB HK\$'000 (Note (d))	2015 CB HK\$'000 (Note (e))	1st Marsa CB HK\$'000 (Note (f))	3rd Tai Cheng CB HK\$'000 (Note (g))	Total HK\$'000
At 1 January 2014	4,169	-	-	-	-	-	-	-	4,169
Issue of convertible bonds	-	76,620	50,000	30,000	3,714	-	-	-	160,334
Direct issue costs	-	-	(140)	(84)	-	-	-	-	(224)
Equity component on initial recognition	-	(76,620)	(12,725)	(7,436)	-	-	-	-	(96,781)
Right of conversion exercised by bondholders	-	-	(41,475)	(23,585)	-	-	-	-	(65,060)
Interest expenses (Note 6)	612	-	4,340	1,105	89	-	-	-	6,146
At 31 December 2014	<u>4,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,584</u>
Analysed by maturity date as:									
Within one year and included under current liabilities	-	-	-	-	-	-	-	-	-
Over one year and included under non-current liabilities	4,781	-	-	-	3,803	-	-	-	8,584
	<u>4,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,584</u>
At 1 January 2015	4,781	-	-	-	3,803	-	-	-	8,584
Issue of convertible bonds	-	-	-	-	-	29,000	-	305	29,305
Direct issue costs	-	-	-	-	-	(952)	-	-	(952)
Equity component on initial recognition	-	-	-	-	-	(6,929)	-	-	(6,929)
Acquisitions of subsidiaries (Note 15(a))	-	-	-	-	-	-	41,000	-	41,000
Right of conversion exercised by bondholders	-	-	-	-	-	-	-	-	-
Written back pursuant to profit guarantee (Note 6)	-	-	-	-	-	-	(27,331)	-	(27,331)
Interest expenses (Note 6)	701	-	-	-	577	2,451	2,729	16	6,474
At 31 December 2015	<u>5,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,380</u>	<u>23,570</u>	<u>16,398</u>	<u>321</u>	<u>50,151</u>
Analysed by maturity date as:									
Within one year and included under current liabilities	5,482	-	-	-	-	-	-	-	5,482
Over one year and included under non-current liabilities	-	-	-	-	4,380	23,570	16,398	321	44,669
	<u>5,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,380</u>	<u>23,570</u>	<u>16,398</u>	<u>321</u>	<u>50,151</u>

The values of the liability components and the equity components were determined at issuance of the convertible bonds. The fair values of the liability components were calculated using market interest rates for equivalent non-convertible bonds. The residual amounts, representing the values of the equity conversion options, are included in equity within other reserves (with the exception of the 1st Marsa CB, which is detailed in note (f) below).

As at 31 December 2015, there were outstanding convertible bonds in the aggregate principal amount of approximately HK\$95,519,000 (2014: HK\$62,872,000) which are convertible into 224,911,386 (2014: 146,213,434) shares of the Company.

Convertible bonds issued by the Group and outstanding during the years ended 31 December 2015 and 2014 were as follows:

- (a) Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng International Limited (“Tai Cheng”) (Note 13(b)), the Company issued the first tranche of the Tai Cheng CB on 29 October 2013 in the aggregate principal amount of HK\$6,163,639 (the “1st Tai Cheng CB”) to Hong Kong Tai Shing Toys Trading Limited (“Tai Shing”). The 1st Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 29 October 2016. The 1st Tai Cheng CB is convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.50 per share (subject to adjustments). The effective interest rate of the 1st Tai Cheng CB was 17.90% per annum.

Due to the completion of an open offer on 19 August 2014 (Note 11(a)(iv)), the conversion price of the 1st Tai Cheng CB was adjusted from HK\$0.50 per share to HK\$0.43 per share with effect from 19 August 2014.

- (b) Pursuant to the sale and purchase agreement to the acquisition of Big Point (Note 15(b)(i)), the Company issued convertible bonds on 30 January 2014 in an aggregate principal amount of HK\$76,620,000 (the “Big Point CB”) to China Real Estates Investment Holdings Limited (“China Real Estates”) as partial satisfaction of the consideration. The Big Point CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 30 January 2017. In respect of the conversion by the bondholder, (a) for the principal amount of HK\$25,540,000, the convertible bonds is convertible into shares before maturity, and (b) for the remaining principal amount of HK\$51,080,000, the convertible bonds is convertible into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK\$0.50 per share (subject to adjustments). In respect of the conversion by the Company, for the principal amount of HK\$76,620,000, the convertible bonds is convertible into shares from the period commencing from 12 months after the issue date to maturity, at an initial conversion price of HK\$0.50 per share (subject to adjustments). Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each convertible bond then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date by issuing shares to the bondholder at an initial conversion price of HK\$0.50 per share (subject to adjustments).

Certain Big Point CB in the principal amount of HK\$25,540,000 were converted into 51,080,000 shares of the Company on 18 February 2014 (Note 11(a)(ii)).

Due to the completion of an open offer on 19 August 2014 (Note 11(a)(iv)), the conversion price of the Big Point CB was adjusted from HK\$0.50 per share to HK\$0.43 per share with effect from 19 August 2014.

The remaining Big Point CB in the principal amount of HK\$25,000,000 and HK\$26,080,000 were converted into 58,139,534 and 60,651,162 shares of the Company on 30 January 2015 and 17 April 2015, respectively (Note 11(a)(vii) & (viii)).

- (c) On 14 January 2014, the Company entered into two separate subscription agreements with two subscribers respectively in relation to the issue of convertible bonds in an aggregate principal amount of HK\$80,000,000. The first subscriber, Shanghai Zhenrong Petroleum Co., Ltd (“Shanghai Zhenrong”), subscribed for the convertible bonds in the principal amount of HK\$50,000,000 (the “Shanghai Zhenrong CB”) and the second subscriber, Ms. You Xia (“Ms. You”), subscribed for the convertible bonds in the principal amount of HK\$30,000,000 (the “Ms. You CB”). The Shanghai Zhenrong CB and the Ms. You CB are denominated in Hong Kong dollars, unsecured, bear interest at 5% per annum and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if these convertible bonds are neither converted nor redeemed prior to the maturity date. These convertible bonds are convertible into shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.50 per share (subject to adjustments). The effective interest rates of the Shanghai Zhenrong CB and the Ms. You CB were 15.59% and 15.24% per annum respectively. The proceeds is intended to be used for partial repayment of amount due to the controlling shareholder, operations of the clubhouse business acquired on 30 January 2014 (Note 15(b)(i)) and as working capital of the Group.

The Shanghai Zhenrong CB and the Ms. You CB were issued respectively to a nominee of Shanghai Zhenrong and Ms. You on 28 March 2014 and 18 March 2014.

The Ms. You CB in the principal amount of HK\$30,000,000 were converted into 60,000,000 shares of the Company on 18 July 2014 (Note 11(a)(iii)).

Due to the completion of an open offer on 19 August 2014 (Note 11(a)(iv)), the conversion price of the Shanghai Zhenrong CB was adjusted from HK\$0.50 per share to HK\$0.43 per share with effect from 19 August 2014.

The Shanghai Zhenrong CB in the principal amount of HK\$50,000,000 were converted into 116,279,069 shares of the Company on 30 December 2014 (Note 11(a)(vi)).

- (d) Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng (Note 13(b)), the Company issued the second tranche of the Tai Cheng CB on 13 October 2014 in the aggregate principal amount of HK\$5,628,138 (the “2nd Tai Cheng CB”) to Tai Shing. The 2nd Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 13 October 2017. The 2nd Tai Cheng CB is convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.43 per share (subject to adjustments). The effective interest rate of the 2nd Tai Cheng CB was 17.99% per annum.
- (e) On 9 February 2015, the Company entered into a placing agreement with ASA Securities Limited (“ASA Securities”), pursuant to which ASA Securities has conditionally agreed with the Company to place, on a best effort basis, convertible bonds up to a total principal amount of HK\$83,800,000 which are convertible into, at an initial conversion price of HK\$0.33 per share (subject to adjustments), 253,939,393 shares of the Company to the placees who are independent third parties at 100% of the principal amount of the convertible bonds.

The convertible bonds are denominated in Hong Kong dollars, unsecured, bear interest at 3% per annum and will be matured on the date falling on the third anniversary of the issue of the convertible bonds. Interest will be payable on the maturity date if these convertible bonds are neither converted nor redeemed prior to the maturity date. These convertible bonds are convertible into the shares of the Company at the holder’s option before maturity at an initial conversion price of HK\$0.33 per share (subject to adjustments).

The placing was completed on 6 March 2015, where convertible bonds in the aggregate principal amount of HK\$29,000,000 (the “2015 CB”), which is convertible into 87,878,787 shares of the Company was successfully placed by ASA Securities to three placees who are third parties independent of the Company and its connected persons. The effective interest rate of the 2015 CB was 14.39% per annum. The proceeds was used for acquisitions and as working capital of the Group.

- (f) Pursuant to the sale and purchase agreement to the acquisition of Rainbow Star (Note 15(a)), the Company issued convertible bonds in May 2015 in an aggregate principal amount of HK\$54,250,000 (the “1st Marsa CB”) to Mr. Chung Sum Sang (“Mr. Chung”) and Ms. Eva Au (“Ms. Au”) as partial satisfaction of the consideration. The 1st Marsa CB is denominated in Hong Kong dollars, unsecured, bear interest at 2% per annum from the first anniversary of issue onwards (interest-free during the first calendar year of issue) and will be matured in May 2018. Interest will be payable on the maturity date if the 1st Marsa CB is neither converted nor redeemed prior to the maturity date. The Company shall have the right to redeem the 1st Marsa CB at any time during its term by issuing shares to the holders at the initial conversion price of HK\$0.50 per share (subject to adjustments). The 1st Marsa CB is convertible into the shares of the Company at the holder’s option during the period commencing from the date being the latter of (a) the first anniversary of the issue date of the 1st Marsa CB; and (b) the Company having exercised its rights in respect of the redemption and cancellation of the 1st Marsa CB with reference to the profit guarantee (Note 19(a)), to maturity at an initial conversion price of HK\$0.50 per share (subject to adjustments).

A liability component, an equity component and an early redemption option were classified at initial recognition of the 1st Marsa CB. The equity component was included in equity within other reserves. The early redemption option was recorded as a derivative financial instrument under non-current assets.

The fair value of the liability component was initially recognised at the date of acquisition at approximately HK\$41,000,000 by using the discounted cash flow model. The fair value estimate was based on assumed discount rate of 11.24% and the Directors' expectation on the amount of the 1st Marsa CB to be redeemed or cancelled (if any). Based on the 2015 consolidated net profit after tax of Marsa, it is expected that principal amount of approximately HK\$33,900,000 (carrying amount being approximately HK\$27,331,000) in the 1st Marsa CB shall be redeemed and cancelled pursuant to the profit guarantee as provided by the vendors (Note 15(a)).

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option were initially recognised at the date of acquisition at approximately HK\$22,847,000 and HK\$20,200,000, respectively, by using the partial differential equation method. The fair value estimates were based on assumed conversion price of HK\$0.50 per share, expected volatility of 89.55% and risk-free rate of 0.70%. As at 31 December 2015, the equity component amounting to approximately HK\$8,568,000 is included in equity within other reserves, and the early redemption option was subsequently measured as at 31 December 2015 at fair value of approximately HK\$3,713,000, with decrease in fair value of approximately HK\$16,487,000 recognized in the consolidated statement of profit or loss.

- (g) Pursuant to the sale and purchase agreement to the acquisition of Tai Cheng (Note 13(b)), the Company issued the third tranche of the Tai Cheng CB on 8 September 2015 in the aggregate principal amount of HK\$477,241 (the "3rd Tai Cheng CB") to Tai Shing. The 3rd Tai Cheng CB is denominated in Hong Kong dollars, unsecured, interest-free and will be matured on 8 September 2018. The 3rd Tai Cheng CB is convertible into the shares of the Company at the holder's option before maturity at an initial conversion price of HK\$0.43 per share (subject to adjustments). The effective interest rate of the 3rd Tai Cheng CB was 18.15% per annum.

The values of the liability components and the equity components were determined at issuance of the convertible bonds. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in equity within other reserves (with the exception of the 1st Marsa CB, which is detailed in note (f) above).

13 CONTINGENT CONSIDERATION PAYABLES

The Group's contingent consideration payables arises from two acquisitions completed by the Group detailed as follows.

- (a) Pursuant to the sale and purchase agreement to the acquisition of Rainbow Star (Note 15(a)), part of the consideration shall be settled by the issue of the Marsa CB in 3 tranches of principal amount of HK\$54,250,000 each on the date of acquisition, the 1st anniversary of and the 2nd anniversary of the date of acquisition. The Marsa CB comprises the profit guarantee as provided by Mr. Chung and Ms. Au (as detailed in Note 15(a)) and may be redeemed or cancelled by the Company with reference to the profit guarantee.

The Marsa CB, when issued, will be denominated in Hong Kong dollars, unsecured, bear interest at 2% per annum from the first anniversary of issue onwards (interest-free during the first calendar year of issue), will mature on the date falling on the third anniversary of the date of issue. Interest will be payable on the maturity date if the Marsa CB is neither converted nor redeemed prior to the maturity date. The Company shall have the right to redeem the Marsa CB at any time during its term by issuing shares to the holders at the initial conversion price of HK\$0.50 per share (subject to adjustments). The Marsa CB is convertible into the shares of the Company at the holder's option during the period commencing from the date being the latter of (a) the first anniversary of the issue date of the Marsa CB; and (b) the Company having exercised its rights in respect of the redemption and cancellation of the Marsa CB with reference to the profit guarantee, to maturity at an initial conversion price of HK\$0.50 per share (subject to adjustments).

The Company issued the first tranche of the Marsa CB in May 2015 in the aggregate principal amount of HK\$54,250,000 (Note 12(f)).

A liability component, an equity component and an early redemption option were classified at initial recognition of the Marsa CB. The equity component was included in equity within other reserves. The early redemption option was recorded as a derivative financial instrument under non-current assets.

The fair value of the liability component was initially recognised at the date of acquisition at approximately HK\$69,033,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 11.46% to 11.69% and the Directors' expectation on the amount of the Marsa CB to be redeemed or cancelled (if any). This liability component was subsequently measured as at 31 December 2015 at fair value of approximately HK\$49,247,000, with decrease in fair value of approximately HK\$19,786,000 recognised within finance costs, net in the consolidated statement of profit or loss.

The fair values of the equity component (which represents the value of the equity conversion option) and the early redemption option were initially recognised at the date of acquisition at approximately HK\$53,061,000 and HK\$50,036,000, respectively, by using the partial differential equation method. The fair value estimates were based on assumed conversion price of HK\$0.50 per share, expected volatility of 79.13% – 88.53% and risk-free rate of 0.92% – 1.14%. As at 31 December 2015, the equity component amounting to approximately HK\$35,577,000 is included in equity within other reserves, and the early redemption option was subsequently measured as at 31 December 2015 at fair value of approximately HK\$18,833,000, with decrease in fair value of approximately HK\$31,203,000 recognized in the consolidated statement of profit or loss.

- (b) On 8 May 2012, the Group acquired 55% equity interests in Tai Cheng, at a total consideration of not exceeding HK\$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong.

Pursuant to the sale and purchase agreement, contingent consideration payable in aggregate not exceeding HK\$30,000,000 (the remaining consideration of HK\$100 was settled in cash) shall be settled by the issue of the Tai Cheng CB in 3 tranches of not exceeding HK\$10,000,000 each for each financial year ended 31 December 2012, 2013 and 2014 respectively.

The principal amount of the Tai Cheng CB to be issued in each tranche shall be determined by the proportion of the audited profit after taxation of Tai Cheng to the benchmark profit, as multiplied by HK\$10,000,000. The benchmark profit is HK\$12,000,000, HK\$13,000,000 and HK\$14,000,000 for the financial years ended 31 December 2012, 2013 and 2014 respectively.

The Tai Cheng CB, if issued, will be denominated in Hong Kong dollars, unsecured, interest free, will mature on the date falling on the third anniversary of the date of issue and will be convertible into the shares of the Company at the conversion price of HK\$0.43 per share (as adjusted to reflect the open offer as detailed in Note 11(a)(iv)) (subject to adjustments).

The Company issued the first, second and third tranches of the Tai Cheng CB on 29 October 2013, 13 October 2014 and 8 September 2015 in the respective aggregate principal amounts of HK\$6,163,639, HK\$5,628,138 and HK\$477,241 (Note 12(a), (d) & (g)).

A liability component and an equity component were classified at initial recognition of the Tai Cheng CB.

The fair value of the liability component was initially recognised at the date of acquisition at approximately HK\$13,267,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 17.90% to 18.15% and the Directors' expectation on the amount of the Tai Cheng CB to be issued. During the year, increase in fair value of approximately HK\$32,000 (2014: decrease of HK\$2,112,000) was recognised within finance costs, net in the consolidated statement of profit or loss.

The equity component, which represents the value of the equity conversion option, was initially recognised in the amount of approximately HK\$16,733,000. As at 31 December 2015, there were no amounts under equity component as all 3 tranches of the Tai Cheng CB were already issued. As at 31 December 2014, the equity component amounting to approximately HK\$301,000, was included in equity within other reserves.

The liability components of the contingent consideration payables recognised in the consolidated statement of financial position were calculated as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 January	273	6,099
Acquisition of subsidiaries (<i>Note 15(a)</i>)	69,033	—
Fair value changes (<i>Note 6</i>)	(19,754)	(2,112)
Issue of the 2nd Tai Cheng CB (<i>Note 12(d)</i>)	—	(3,714)
Issue of the 3rd Tai Cheng CB (<i>Note 12(g)</i>)	(305)	—
	<hr/>	<hr/>
At 31 December	49,247	273
	<hr/> <hr/>	<hr/> <hr/>

14 TRADE PAYABLES

The ageing analysis of trade payables as at 31 December 2015 and 2014 are as follows:

	2015 HK\$'000	2014 HK\$'000
0 – 30 days	1,237	430
31 – 60 days	768	303
61 – 90 days	658	17
91 days – 1 year	944	52
Over 1 year	2,413	2,830
	<hr/>	<hr/>
	6,020	3,632
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of trade payables approximate their fair values.

15 ACQUISITION OF SUBSIDIARIES

- (a) On 21 November 2014, the Company, Mr. Chung and Ms. Au entered into a sale and purchase agreement pursuant to which the Company has conditionally agreed to purchase the 100% equity interests of Rainbow Star, a company incorporated in the BVI, from Mr. Chung and Ms. Au at a maximum aggregate consideration of HK\$217,000,000, out of which HK\$54,250,000 shall be settled in cash and the remaining consideration of not more than HK\$162,750,000 shall be settled by the issue of the Marsa CB (Note 13(a)).

Rainbow Star is an investment holding company, its principal asset being 70% indirect equity interests in 深圳市瑪莎嘉兒連鎖實業有限公司 (literally translated as Shenzhen Marsa Guer Chain Enterprise Limited, "Marsa"). Marsa and its subsidiaries are principally engaged in the provision of beauty and wellness related services.

Pursuant to the terms of the sale and purchase agreement (as supplemented by a supplemental agreement dated 16 December 2014), deposits in the aggregate amount of HK\$20,000,000 were paid to Mr. Chung and Ms. Au before 31 December 2014. The acquisition was subsequently completed in May 2015, the remaining cash consideration of HK\$34,250,000 was paid and the 1st Marsa CB (Note 12(f)) was issued to Mr. Chung and Ms. Au as partial satisfaction of the consideration. The remaining Marsa CB shall be issued on the 1st and the 2nd anniversary of the date of acquisition.

The Marsa CB comprises the profit guarantee as provided by Mr. Chung and Ms. Au, who have undertaken that the audited consolidated net profit after tax of Marsa for each of the three years ending 31 December 2015, 2016 and 2017 shall not be less than RMB20,000,000 for each year. In the event that it is less than RMB20,000,000, the Company shall redeem and cancel in whole or part of the corresponding Marsa CB at HK\$1 based on the shortfall with reference to the profit guarantee of RMB20,000,000.

Besides, in the case that all of the audited consolidated net profit after tax of Marsa for each of the three years ending 31 December 2015, 2016 and 2017 are less than RMB20,000,000, the Company shall have the right to request Mr. Chung and Ms. Au to repurchase the 100% equity interest in Rainbow Star at the aggregate consideration paid to them. The fair value of this put option was initially recognised at the date of acquisition at approximately HK\$24,990,000 by using the binomial tree pricing model. The fair value estimates were based on assumed expected volatility of 31.606% and risk-free rate of 0.662%. The put option was recorded as a derivative financial instrument under non-current assets. This put option was subsequently measured as at 31 December 2015 at fair value of approximately HK\$5,910,000, with decrease in fair value of approximately HK\$19,080,000 recognised directly in equity within other reserves.

Revenue and net profit of approximately HK\$21,668,000 and HK\$6,246,000, respectively, from Rainbow Star and its subsidiaries were contributed to the Group since its acquisition to 31 December 2015.

The following table summarises the recognised fair values of the consideration for the acquisition of Marsa and its subsidiaries, the assets acquired and liabilities assumed.

	Fair values recognised <i>HK\$'000</i>
Purchase consideration	
Cash deposits paid in 2014	20,000
Cash paid in current year	34,250
Fair value of the 1st Marsa CB issued on completion of acquisition (<i>Note 12(f)</i>)	
– Liability component	41,000
– Equity component	22,847
– Early redemption option	(20,200)
Fair value of the Marsa CB to be issued (<i>Note 13(a)</i>)	
– Liability component	69,033
– Equity component	53,061
– Early redemption option	(50,036)
	<hr/>
Total purchase consideration	169,955
	<hr/> <hr/>
Identifiable assets acquired and liabilities assumed on acquisition date	
Property, plant and equipment	12,179
Trademark user right and technical know-how	222,222
Other intangible assets	279
Inventories	13,571
Trade receivables	8
Prepayments, deposits and other receivables	2,001
Cash and cash equivalents	4,712
Trade payables	(1,847)
Other payables, accruals and deposits received	(13,879)
Amount due to a director	(8,809)
Deferred tax liability	(22,222)
	<hr/>
Total identifiable net assets acquired	208,215
Non-controlling interests	(1,342)
Gain on bargain purchase on acquisition of subsidiaries	(36,918)
	<hr/>
	169,955
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An analysis of the net outflow of cash and cash equivalents in the current year in respect of the acquisition is as follows:

	Fair values recognised <i>HK\$'000</i>
Cash and cash equivalents acquired	4,712
<i>Less:</i> Consideration satisfied by cash in the current year	(34,250)
	<hr/>
Net cash outflow on acquisition of subsidiaries in the current year	(29,538)
	<hr/> <hr/>

- (b) (i) On 16 December 2013, the Company, Green Capital (Hong Kong) Limited (a wholly-owned subsidiary of the Company, “Green Capital”), China Real Estates and Mr. Tang Ho Ka (“Mr. Tang”) entered into a sale and purchase agreement pursuant to which Green Capital has conditionally agreed to purchase the 100% equity interests of Big Point, a company incorporated in Hong Kong, from China Real Estates at a total consideration of RMB130,000,000, out of which RMB70,000,000 shall be settled in cash and the remaining consideration of RMB60,000,000 (equivalent to HK\$76,620,000) shall be settled by the issue of the Big Point CB (Note 12(b)).

Big Point is an investment holding company, which holds 100% direct equity interest in 格林銀湖健康養生(深圳)有限公司 (Green Silver Lake Health & Wellness (Shenzhen) Co., Ltd*., “Green Silver Lake”) (formerly known as Dijia Restaurant Management (Shenzhen) Co., Ltd. 迪嘉餐飲管理(深圳)有限公司). Green Silver Lake is the major operating subsidiary of Big Point. Big Point and its are principally engaged in clubhouse business.

Pursuant to the terms of the sale and purchase agreement, on 26 December 2013, a deposit of RMB70,000,000 (equivalent to approximately HK\$88,692,000) was paid to a designated nominee of China Real Estates. The acquisition was subsequently completed on 30 January 2014, and the Big Point CB was issued to China Real Estates on 30 January 2014 as final payment of the consideration of the acquisition.

On completion of the acquisition, Mr. Tang and 深圳市寶渝貿易有限公司 (Shenzhen Baoyu Trading Co., Ltd.*, a company controlled by Mr. Tang’s spouse) assigned the indebtedness owed by Green Silver Lake to them in the respective amounts of approximately RMB19,234,000 and RMB12,582,000 (collectively equivalent to approximately HK\$40,788,000) to a subsidiary of the Company at nominal considerations of RMB1 each. Also, subsequent to the completion of the acquisition, on 28 February 2014, Mr. Tang assigned the indebtedness owed by Green Silver Lake to him in the amount of approximately RMB1,283,000 (equivalent to approximately HK\$1,625,000) to a subsidiary of the Company at a nominal consideration of RMB1.

Revenue and net loss of approximately HK\$17,205,000 and HK\$27,391,000, respectively, from Big Point and its subsidiaries were contributed to the Group for the period from 30 January 2014 to 31 December 2014.

- (ii) On 7 October 2014, Green Capital, Ms. Tan Li (“Ms. Tan”, the spouse of Dr. Yang Wang Jian (“Dr. Yang”), an executive Director and chairman of the Board) and Mr. Siu Che On (“Mr. Siu”, a son-in-law of Dr. Yang) entered into a sale and purchase agreement pursuant to which Green Capital has conditionally agreed to purchase the 100% equity interests of Hung Cheong Paper Products Factory Limited (“Hung Cheong”), a company incorporated in Hong Kong, from Ms. Tan and Mr. Siu at a cash consideration of HK\$2,000,000.

Hung Cheong is an investment holding company, its major assets being a cross-boundary vehicle licence and a motor vehicle.

Pursuant to the terms of the sale and purchase agreement, the acquisition was subsequently completed on 31 October 2014.

No revenue was contributed by Hung Cheong to the Group since its acquisition. Net loss of approximately HK\$33,000 from Hung Cheong was contributed to the Group for the period from 31 October 2014 to 31 December 2014.

- (iii) On 31 October 2014, Green Capital purchased the 100% equity interests of Marsa Investment Holdings Limited (“Marsa Investment”), a company incorporated in Hong Kong, from Dr. Yang and Ms. Au at a cash consideration of HK\$10,000. Marsa Investment was owned as to 25% and 75% by Dr. Yang and Ms. Au respectively immediately before the acquisition.

Marsa Investment is a dormant company and has not yet commenced business.

No revenue or results was contributed by Marsa Investment to the Group since its acquisition.

The following table summarises the considerations for the acquisitions of Big Point and its subsidiaries, Hung Cheong and Marsa Investment, and the fair values of the assets acquired and liabilities assumed recognised on the acquisition date.

	Fair values recognised on acquisition			
	Big Point and its subsidiaries <i>HK\$'000</i>	Hung Cheong <i>HK\$'000</i>	Marsa Investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Purchase consideration				
– Cash paid	–	2,000	10	2,010
– Cash deposit paid in 2013	88,692	–	–	88,692
– Big Point CB issued (<i>Note 12(b)</i>)	76,620	–	–	76,620
– Indebtedness assigned to the Group	(42,413)	–	–	(42,413)
Total purchase consideration	122,899	2,000	10	124,909
Identifiable assets acquired and liabilities assumed on acquisition date				
Property, plant and equipment	18,436	431	–	18,867
Other intangible assets	–	1,568	–	1,568
Inventories	1,042	–	–	1,042
Trade receivables	208	–	–	208
Prepayment, deposits and other receivables	2,765	–	–	2,765
Amount due from a fellow subsidiary	–	–	10	10
Cash and cash equivalents	906	14	–	920
Trade payables	(3,009)	–	–	(3,009)
Other payables, accruals and deposits received	(17,569)	(13)	–	(17,582)
Amount due to a fellow subsidiary	(40,788)	–	–	(40,788)
Total identifiable (net liabilities assumed)/ net assets acquired	(38,009)	2,000	10	(35,999)
Non-controlling interests	31	–	–	31
Goodwill	160,877	–	–	160,877
	122,899	2,000	10	124,909

An analysis of the net inflow/outflow of cash and cash equivalents in 2014 in respect of the above acquisitions is as follows:

	Big Point Group <i>HK\$'000</i>	Hung Cheong <i>HK\$'000</i>	Marsa Investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cash and cash equivalents acquired	906	14	–	920
Less: Consideration satisfied by cash in 2014	–	(2,000)	(10)	(2,010)
Net cash inflow/(outflow) on acquisition of subsidiaries in 2014	<u>906</u>	<u>(1,986)</u>	<u>(10)</u>	<u>(1,090)</u>

16 DISPOSAL OF A SUBSIDIARY

On 1 September 2014, Tai Cheng and Tai Heng International Limited (“Tai Heng”) entered into a sale and purchase agreement, pursuant to which Tai Cheng has conditionally agreed to dispose of 100% equity interest in 廣西靈山泰晴玩具有限公司 (Guangxi Lingshan Tai Cheng Toys Co, Ltd*, “Guangxi Tai Cheng”) to Tai Heng at a cash consideration of HK\$27,000,000. Guangxi Tai Cheng is a company established in the PRC and principally engaged in the design and manufacturing of toys in the PRC.

The disposal was subsequently completed on 26 September 2014.

The following table summarises the consideration for the disposal and the net assets disposed of on the disposal date.

	<i>HK\$'000</i>
Assets disposed of and liabilities transferred	
Property, plant and equipment	25,811
Inventories	1,287
Trade receivables	315
Prepayment, deposits and other receivables	1,312
Cash and cash equivalents	603
Trade payables	(2,467)
Other payables, accruals and deposits received	<u>(143)</u>
Net assets disposed of	26,718
Cumulative exchange differences reclassified from equity to profit or loss on disposal of the subsidiary	21
Gain on disposal of a subsidiary (<i>Note 4</i>)	<u>261</u>
	<u>27,000</u>
Satisfied by	
Cash	<u>27,000</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

	<i>HK\$'000</i>
Cash consideration received	27,000
<i>Less:</i> Cash and cash equivalents disposed of	<u>(603)</u>
Net cash inflow on disposal of a subsidiary	<u><u>26,397</u></u>

17 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Following the acquisition of the beauty and wellness business in May 2015 (detailed in Note 15(a) to the consolidated financial statements), the Group was principally engaged in the manufacturing and trading of recreational and educational toys and equipment, operation of clubhouse business and provision of beauty and wellness services during the year.

Total revenue of approximately HK\$45,620,000 was recorded by the Group during the year ended 31 December 2015, as compared to approximately HK\$160,940,000 for the same period in 2014.

Revenue arising from different business segments are as follows:

- (a) approximately HK\$7,683,000 from the toys business segment (2014: HK\$143,735,000);
- (b) approximately HK\$16,269,000 from the clubhouse business segment (2014: HK\$17,205,000);
and
- (c) approximately HK\$21,668,000 from the beauty and wellness business segment (acquired in May 2015).

The decrease in revenue was mainly due to reallocation of resources by the Board from the toys business segment, in order to align the Group's businesses and resources with the Group's current major development objective of exploring opportunities to venture into healthcare, beauty and wellness, medical services for elderly, senior tourism, retirement home, hospital, medical equipment and technology and other prospective businesses. Besides, due to the increasingly competitive market, it has become more difficult and costly to solicit orders from the toys business segment. The Group's gross profit was approximately HK\$27,025,000 in 2015, as compared to approximately HK\$13,041,000 in 2014, representing an increase of approximately HK\$13,984,000; the gross profit margin has increased from 8.1% in 2014 to 59.2% in 2015. This is mainly attributable to the higher gross profit margin from clubhouse business and the beauty and wellness business (acquired by the Group in May 2015), and decrease in contribution from the toys business segment, which has a lower gross profit margin.

The loss for the year attributable to the equity holders of the Company amounted to approximately HK\$205,103,000 in 2015 whilst a loss of approximately HK\$99,147,000 was recorded in 2014. Excluding the effects of non-cash income and expenses (including gain on bargain purchase on acquisition of subsidiaries, fair value change of derivative financial instruments, provision for impairment of property, plant and equipment and goodwill, and provision for discount on past due balances of trade receivables, etc), the operating loss for the year ended 31 December 2015 amounted to approximately HK\$37,131,000, which is close to the operating loss of the same period in 2014 of approximately HK\$34,863,000 (as adjusted by excluding non-cash income and expenses).

Due to the decrease in revenue as mentioned above, the operating loss from the toys business segment has increased from approximately HK\$7,602,000 (excluding non-cash expenses of provision for impairment of goodwill and provision for discount on past due balances of trade receivables) in 2014 to approximately HK\$16,718,000 in 2015.

Revenue from the clubhouse business decreased slightly from approximately HK\$17,205,000 in 2014 to approximately HK\$16,269,000 in 2015 while operating loss decreased from approximately HK\$27,261,000 in 2014 to approximately HK\$26,660,000 in 2015. The Group is undergoing assessment for rebranding and repositioning of the clubhouse, including but not limited to expansion of the scope of services of the current clubhouse to become a grand healthcare business. The Directors are, subject to results of feasibility studies, prudently optimistic of the prospects of a grand healthcare business with a focus on specialized and high-end healthcare services.

In light of the continuing recorded loss from the clubhouse business segment, provision for impairment of approximately HK\$160,877,000 and HK\$10,240,000, respectively, were provided on the goodwill and fixed assets of the clubhouse business segment, based on valuation performed under the income approach. The Directors would like to emphasize that the abovementioned provisions are non-cash in nature and have no cash flow impact to the Group.

The Group has completed the acquisition of the beauty and wellness business in May 2015. The major operating entities from this business segment are Marsa and its subsidiaries, which are principally engaged in the provision of beauty and wellness related services in Shenzhen. This business segment contributed an operating profit of approximately HK\$6,247,000 since its acquisition. As this business segment is still in expansion stage with more cooperation with different clubhouses in Shenzhen is coming, together with the brand name of Marsa at Shenzhen, the Directors are prudently optimistic of the contribution to the Group's results by this business segment in the future.

The Board is adopting approaches in order to sustain the Group for the long term development and will take appropriate strategic measures to reshape the Group's different business segments and re-allocate resources to them when necessary. The Group is actively identifying and exploring other investment and business opportunities to broaden its assets and revenue base. Potential acquisitions or mergers will be assessed by the Board for expansion of the business segments of the Group. The Board believes diversified investments could be beneficial to the interests of the Group and the shareholders as a whole. The Board will cautiously search for investment opportunities so as to produce a steady growth in the Group's long term performance.

In this regard, the Group has entered into a memorandum of understanding with an intention to acquire new assets/businesses/companies, details of which are described in the section headed "Significant Acquisition and Disposal of Assets" below.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group held cash and cash equivalents of approximately HK\$53,129,000 (2014: HK\$131,205,000). Net current assets amounted to approximately HK\$196,249,000 (2014: HK\$272,246,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 4.01 times (2014: 10.42 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 35.5% (2014: 7.6%). As at 31 December 2015, the carrying amounts and the principal amounts of the outstanding borrowings (all of which are denominated in Hong Kong dollars and at fixed interest rates) of the Group amounted to approximately HK\$59,856,000 (2014: HK\$8,584,000) and approximately HK\$109,519,000 (2014: HK\$62,872,000), respectively. The mandatorily convertible bonds issued for the acquisition of a clubhouse business with outstanding principal amount of HK\$51,080,000 was included in the principal amounts of the outstanding borrowings of the Group as at 31 December 2015.

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions were mainly carried out in Hong Kong Dollars and Renminbi. The Group currently does not have regular and established hedging policies in place. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments and adopting appropriate hedging policies to control the risks, when the need arises. The Group was not engaged in any hedging contracts as at 31 December 2015.

CAPITAL STRUCTURE

Save as the disclosure herein, there were no changes in the capital structure of the Company during the year ended 31 December 2015 and up to the date of this announcement.

(A) Share Capital

Save as disclosed in paragraph (c)(i) below in relation to the issue of shares upon conversion of convertible bonds, there were no changes in the share capital of the Company during the year end up to the date of this announcement. The Company has 1,942,452,606 issued shares as at 31 December 2015 and the date of this announcement.

(B) Share Options

On 11 May 2012, the Company granted 65,800,000 share options under the share option scheme of the Company adopted on 2 September 2006 (the "Share Option Scheme") to certain eligible participants (as defined under the Share Option Scheme) at an exercise price of HK\$0.37 per share, which were vested immediately on the date of grant (i.e. 11 May 2012) and expire on 10 May 2022, of which 55,800,000 share options were still outstanding as at 31 December 2015 and the date of this announcement. Pursuant to the terms and conditions of the Share Option Scheme, the exercise price of these share options were adjusted from HK\$0.37 per share to HK\$0.32 per share with effect from 19 August 2014 (immediately after the completion of an open offer on 19 August 2014).

In August 2015, the Company proposed to refresh the scheme mandate limit under the Share Option Scheme and was approved by the shareholders of the Company at an extraordinary general meeting held on 4 September 2015. As a result, the Company may grant up to 197,246,050 options under the Share Options Scheme.

On 17 December 2015, share options with rights to subscribe for a total of 197,245,260 shares of the Company at an exercise price of HK\$0.215 per share were offered to certain eligible participants (as defined under the Share Option Scheme). No share options were accepted by the grantees within 28 days from the date of offer in accordance with the terms and conditions of the Share Option Scheme which have been lapsed on 13 January 2016. Accordingly, no share options were granted by the Company during the year.

(C) Convertible Bonds

There were outstanding convertible bonds in the aggregate principal amounts of approximately HK\$95,519,000 and HK\$135,519,000 which are convertible into 224,911,386 and 425,590,733 shares of the Company, respectively, as at 31 December 2015 and the date of this announcement. Convertible bonds issued or converted during the year and up to the date of this announcement are as follows.

- (i) On 30 January 2014, pursuant to the sale and purchase agreement to the acquisition of Big Point, the Company issued the Big Point CB in an aggregate principal amount of HK\$76,620,000 to China Real Estates as partial satisfaction of the consideration which is convertible into, at HK\$0.50 per share (subject to adjustments), 153,240,000 shares of the Company.

Certain of the Big Point CB in the principal amount of HK\$25,540,000 were converted into 51,080,000 shares of the Company on 18 February 2014.

Pursuant to the terms and conditions of the Big Point CB, the conversion price of the Big Point CB was adjusted from HK\$0.50 per share to HK\$0.43 per share with effect from 19 August 2014 (immediately after the completion of an open offer on 19 August 2014).

The remaining Big Point CB in the principal amount of HK\$25,000,000 and HK\$26,080,000 were converted into 58,139,534 and 60,651,162 shares of the Company on 30 January 2015 and 17 April 2015, respectively.

- (ii) On 9 February 2015, the Company entered into a placing agreement with ASA Securities, pursuant to which ASA Securities has conditionally agreed with the Company to place, on a best effort basis, convertible bonds up to a total principal amount of HK\$83,800,000 which are convertible into, at HK\$0.33 per share (subject to adjustments), 253,939,393 shares of the Company to the placees who are independent third parties at 100% of the principal amount of the convertible bonds.

The placing was completed on 6 March 2015, where convertible bonds in the aggregate principal amount of HK\$29,000,000 was successfully placed by ASA Securities to three placees who are third parties independent of the Company and its connected persons. The convertible bonds are convertible into, at HK\$0.33 per share (subject to adjustments), an aggregate of 87,878,787 shares of the Company.

The proceeds was used for acquisitions and as working capital of the Group.

- (iii) In May 2015, pursuant to the sale and purchase agreement to the acquisition of Rainbow Star, the Company issued the 1st Marsa CB in an aggregate principal amount of HK\$54,250,000 to Mr. Chung and Ms. Au as partial satisfaction of the consideration which is convertible into, at HK\$0.50 per share (subject to adjustments), 108,500,000 shares of the Company.
- (iv) On 8 September 2015, pursuant to the sale and purchase agreement to the acquisition of Tai Cheng, the Company issued the 3rd Tai Cheng CB in an aggregate principal amount of HK\$477,241 to Tai Shing as partial satisfaction of the consideration which is convertible into, at HK\$0.43 per share (subject to adjustments), 1,109,862 shares of the Company.
- (v) On 27 November 2015, the Company entered into a subscription agreement with a subscriber in relation to the issue of convertible bonds in the aggregate principal amount of HK\$40,000,000. Subsequent to the end of the reporting period, the convertible bonds were issued to the subscriber on 15 January 2016 and are convertible into, at HK\$0.20 per share (subject to adjustments), an aggregate of 200,000,000 shares of the Company. The proceeds is intended to be used for acquisitions and as working capital of the Group.

CHARGES ON ASSETS

As at 31 December 2015, none of the Group's assets was pledged to secure any facilities and borrowings granted to the Group.

SIGNIFICANT ACQUISITION AND DISPOSAL OF ASSETS

Save for the Group's acquisitions of subsidiaries (detailed in Note 15(a) to the consolidated financial statements), there were no significant acquisition and disposal of assets during the year ended 31 December 2015 and up to the date of this announcement. The Group has also entered into the following memorandum of understanding as at 31 December 2015 and the date of this announcement.

On 28 October 2015, Green Capital, Mr. Qian Xuequan and Mr. Lu Jiang entered into a memorandum of understanding, which is non-legally binding, in respect of a possible acquisition of 51% equity interest in New Era Development Limited. New Era Development Limited is a company incorporated in the Republic of Fiji with limited liability and will be principally engaged in the provision of therapy, health, tourism and vacation services in the Republic of Fiji. The entire issued share capital of New Era Development Limited is wholly owned by Mr. Qian Xuequan and Mr. Lu Jiang. The consideration of the possible acquisition is to be determined with reference to (i) the profit guarantee as given by Mr. Qian Xuequan and Mr. Lu Jiang; (ii) the business prospects of New Era Development Limited; and/or (iii) valuation of New Era Development Limited by an independent valuer.

The above memorandum of understanding shall be valid for 6 months from the date of its execution, within which parties to the memorandum of understanding shall not negotiate or enter into any documents with other third parties in relation to projects or business equivalent or similar to those stipulated in the memorandum of understanding. As at the date of this announcement, management is still assessing the feasibility studies of the above project, and no formal agreements have been entered into between the parties involved.

CAPITAL COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

Authorised but not contracted for:

– Construction of property, plant and equipment 25,850

Contracted but not provided for:

– Construction of property, plant and equipment 1,519

27,369

Save as disclosed as above, on 28 October 2015, Green Capital, Mr. Qian Xuequan and Mr. Lu Jiang entered into a memorandum of understanding (detailed in the Significant Acquisition and Disposal of Assets section above). The consideration and its terms of payment was yet to be determined as at the date of this announcement.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2015.

EMPLOYEES AND REMUNERATION POLICY

The primary objective of the Group's remuneration policy is to retain and motivate employees by linking their compensation to the Group's performance and benchmarking their compensation against corporate goals, so that the interests of the employees are in line with those of the Company's shareholders.

As at 31 December 2015, the Group employed approximately 400 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing its employees with adequate and regular trainings. The Group remunerates its Directors and employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

PURCHASE, SALE OR REDEMPTION OF SHARES

Save as disclosed in the paragraph headed "Capital Structure" above, neither the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's securities listed on the Stock Exchange during the year.

CORPORATE GOVERNANCE PRACTICE

The Board believes that good governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted practices which meet the requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviation from code provision A.6.7 which is explained below, the Company has been in compliance with all code provisions set out in the CG Code for the year ended 31 December 2015.

Under code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Four independent non-executive Directors did not attend the annual general meeting held on 5 June 2015 due to other work commitments. Four independent non-executive Directors and one non-executive Director did not attend an extraordinary general meeting held on 29 January 2015 due to other work commitments. Three independent non-executive Directors and one non-executive Director did not attend an extraordinary general meeting held on 4 September 2015 due to other work commitments. The Company will strengthen its planning process, by giving all Directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meetings, so as to facilitate all Directors attending the Company's future general meetings.

MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS

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

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive Directors, namely Mr. Low Chin Sin (Chairman), Mr. Yeung King Wah, Kenneth and Mr. Wu Hong. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the audited consolidated financial statements of the Company for the year ended 31 December 2015 and this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (<http://www.irasia.com/listco/hk/greeninternational/index.htm>). The 2015 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited and the Company on or before 30 April 2016.

SCOPE OF WORK OF MCMILLAN WOODS SG CPA LIMITED

The figures in respect of the Company's annual results announcement for the year ended 31 December 2015 have been agreed by the Company's external auditors, McMillan Woods SG CPA Limited, to the amounts set out in the Company's consolidated financial statements for the year. The work performed by McMillan Woods SG CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by McMillan Woods SG CPA Limited on the annual results announcement.

* *For identification purposes only*

By Order of the Board
Green International Holdings Limited
Yang Wang Jian
Chairman

Hong Kong, 30 March 2016

As at the date of this announcement, the executive Directors are Dr. Yang Wang Jian, Mr. Wong Man Keung, Ms. Yang Jun, Mr. Chen Hanhong, Ms. Yang Ya, Dr. Yu Qigang and Ms. Eva Au; the non-executive Director is Ms. Yu Jiaoli; and the independent non-executive Directors are Mr. Yeung King Wah, Kenneth, Mr. Wu Hong, Mr. Low Chin Sin, Mr. Ye Yunhan and Professor Zhu Yi Zhun.