



# Oriental Explorer Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0430)



Annual Report

2015

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Lau Chi Yung, Kenneth (*Chairman*)  
Mr. Lau Michael Kei Chi  
(*Vice-Chairman and Managing Director*)

#### Independent Non-executive Directors

Mr. Lo Yick Wing  
Mr. Wong Yim Sum  
Mr. Lee Siu Man, Ervin  
Mr. Tsui Ka Wah

### AUDIT COMMITTEE

Mr. Wong Yim Sum (*Chairman*)  
Mr. Lo Yick Wing  
Mr. Lee Siu Man, Ervin  
Mr. Tsui Ka Wah

### REMUNERATION COMMITTEE

Mr. Tsui Ka Wah (*Chairman*)  
Mr. Lau Chi Yung, Kenneth  
Mr. Lau Michael Kei Chi  
Mr. Lo Yick Wing  
Mr. Wong Yim Sum  
Mr. Lee Siu Man, Ervin

### NOMINATION COMMITTEE

Mr. Lau Chi Yung, Kenneth (*Chairman*)  
Mr. Lau Michael Kei Chi  
Mr. Lo Yick Wing  
Mr. Wong Yim Sum  
Mr. Lee Siu Man, Ervin  
Mr. Tsui Ka Wah

### COMPANY SECRETARY

Mr. Lau Kwok Yin

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Bank J. Safra Sarasin Ltd, Hong Kong Branch  
Bank of China

### SOLICITORS

Cheung Tong & Rosa Solicitors  
Ng and Fang Solicitors & Notaries

### AUDITORS

HLB Hodgson Impey Cheng Limited  
*Certified Public Accountants*  
31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### PRINCIPAL PLACE OF BUSINESS

Units 22-28, 25/F  
Tower A, Southmark  
11 Yip Hing Street  
Wong Chuk Hang  
Hong Kong

### PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

## CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors (the "Board") of Oriental Explorer Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015.

### REVIEW OF OPERATION

2015 was a year with volatile market environment and full of challenges. The Group's rental income in Hong Kong is relatively stable. Mainly due to instability of worldwide economy and fluctuation of exchange rates in Renminbi, the total comprehensive expense of the Group for the year ended 31 December 2015 is approximately HK\$36 million, as compared to the total comprehensive income in the corresponding year 2014 of HK\$119 million.

### PROPERTY INVESTMENT

The Group's investment properties in Hong Kong mainly comprise of office, industrial and residential units. The Group's investment property portfolio contributed stable rental revenue of approximately HK\$4 million in 2015 (2014: HK\$4 million).

### FINANCIAL INVESTMENTS

Worldwide economy and stocks market were volatile in 2015, leading to equity investments (stocks) held by the Group to record fair value losses.

As of 31 December 2015, the Group holds approximately HK\$511 million of highly liquid equity investments. The Group's equity investments recorded a net fair value loss of approximately HK\$53 million when marking the investment portfolios to market valuation as of 31 December 2015, a net fair value loss of approximately HK\$26 million on derivative financial instruments, along with dividend income of approximately HK\$14 million.

Some of the available-for-sale listed debt investments held by the Group had matured and redeemed in 2015, while the Group had also sold its remaining available-for-sale listed debt investments throughout 2015. The available-for-sale listed debt investments contribute interest income of approximately HK\$6 million in 2015.

### FOREIGN CURRENCY EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and United States dollar. The Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and when appropriate hedge its currency risk.

As of 31 December 2015, the Group has not entered into any financial instrument for foreign currency hedging purpose.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. In order to preserve liquidity and enhance interest yields, liquid assets were maintained in the form of highly liquid equity investments and/or debt investments of approximately HK\$511 million (2014: HK\$370 million) as of 31 December 2015. The Group's cash and cash equivalents as of 31 December 2015 amounted to approximately HK\$158 million (2014: HK\$55 million).

## **CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS**

As of 31 December 2015, the Group had outstanding interest-bearing bank and other borrowings of approximately HK\$264 million (2014: HK\$13 million), which were secured by legal charges on the Group's certain investment properties in Hong Kong and certain equity investments. Taking into account the total liquid assets of approximately HK\$670 million and total interest bearing bank and other borrowings of approximately HK\$264 million, the Group was debt-free as at 31 December 2015.

### **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES**

The Group did not make any material acquisition or disposal of subsidiaries, associates and affiliated companies during the year ended 31 December 2015.

### **EMPLOYEES AND REMUNERATION POLICY**

As of 31 December 2015, the Group had approximately 10 employees in Hong Kong.

The remuneration packages of the Group's employees are mainly based on their performance, experience and the prevailing market condition. In addition to the basic salaries, the Group also provides staff benefits including discretionary bonus, provident fund and tuition/training subsidies.

### **PROSPECT**

The US Federal Reserve has started increasing the interest rate in December 2015. As Hong Kong dollar is pegged to the US dollar, Hong Kong may follow to increase its interest rate in the future. These may exert pressure on price on equity investments held by the Group, particular in high-yield equity investments. Besides, the slowdown in growth of Chinese economy may have a significant impact on Hong Kong's rental market.

The investment properties (particularly the small-sized residential units) in Hong Kong have recorded decline in market value in late 2015. However, officials from Hong Kong government stated that control measures on properties markets will not be withdrawn in the near term. Along with the conditions for potential interest rate increase, investment properties in Hong Kong held by the Group might record decrease in fair value as compared to the increase in previous years.

The worldwide economy (especially Chinese and Hong Kong's economy) is performing more and more volatile, with regard to uncertainties brought by policy-driven markets. The Group will adopt its usual prudent capital and funding management to meet the challenges ahead, while strengthening the rental and property development business, and seizing further investment opportunities.

# CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

## ACKNOWLEDGEMENT

On behalf of the Board and management team, I would like to thank our shareholders who have extended to us their trust and have been patient with our efforts on exploring business opportunities. Again, I would like to thank my fellow directors and staff for their loyalty and efforts during the past year. I believe that we will create greater value to our investors in the future.

**Lau Chi Yung, Kenneth**  
*Chairman*

Hong Kong, 30 March 2016

## BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. LAU Chi Yung, Kenneth**, aged 56, joined the Group in 1995. He is the Chairman of the Company. He is also the Chairman and Director of Multifield International Holdings Limited (Stock Code: 898) (“Multifield International”), whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

**Mr. LAU Michael Kei Chi**, aged 62, joined the Group in 2003. He is the Vice-Chairman and Managing Director of the Company. He is also the Vice-Chairman and Managing Director of Multifield International and is the elder brother of Mr. Lau Chi Yung, Kenneth.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LO Yick Wing**, aged 63, joined the Group as an Independent Non-executive Director in 2004. He is a Registered Architect and Authorized Person in Hong Kong. He has attained Class I Registered Architect Qualification (中華人民共和國一級註冊建築師資格) in the People’s Republic of China (the “PRC”). He is a member of the Hong Kong Institute of Architects and the Australian Institute of Architects and The Association of Architectural Practices Ltd.. Mr. Lo is the founder and Managing Director of Lo & Partners Architects & Development Consultants Ltd. which provide comprehensive professional services including architecture, planning, interior design, landscaping design and real estate development consultancy. He is also an Independent Non-executive Director of Multifield International.

**Mr. WONG Yim Sum**, aged 50, joined the Group as an Independent Non-executive Director in 2004. He is practicing as a Certified Public Accountant, and is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA). He is the Director of Conpak CPA Limited, a firm of Certified Public Accountants in Hong Kong. He has extensive experience in the finance and auditing fields. He is also an Independent Non-executive Director of Multifield International.

**Mr. LEE Siu Man, Ervin**, aged 60, joined the Group as an Independent Non-executive Director in 2009. He is a Registered Architect and Authorized Person in Hong Kong. He is a member of the Hong Kong Institute of Architects, and the founder and Managing Director of Fotton-ELA Architects Ltd. and Ervin & Lloyds Engineering Ltd. which provide comprehensive services including architecture, civil, structural and geotechnical engineering, town planning, and estate surveying and construction in the building and development field. He is also an Independent Non-executive Director of Multifield International.

**Mr. TSUI Ka Wah**, aged 63, joined the Group as an Independent Non-executive Director in 2010. He has 28 years of banking experience with United States and local banks, and has held various management positions in corporate, retail and private banking. Until 2009, he was the President of Great China Region for a U.S. bank, overseeing operations in Taiwan, the PRC and Hong Kong. Since August 2013, he has held the position of Chief Executive Officer of SME Credit Company Limited. Mr. Tsui holds a Bachelor Degree and a Master Degree of Business Administration from the Chinese University of Hong Kong. He is also an Independent Non-executive Director of Multifield International, Southeast Asia Properties & Finance Limited (Stock Code: 252) and Grand Ming Group Holdings Limited (Stock Code: 1271) respectively, whose shares are listed on the main board of the Hong Kong Stock Exchange.

### SENIOR MANAGEMENT

**Ms. SIU Wai King, Donna**, aged 51, joined the Group in 1992. She is the General Manager of the Group. She is responsible for the Group’s Hong Kong property business and headquarter’s operations and has over 20 years’ experience in property business.

**Mr. WONG Ka Wah**, aged 37, joined the Group in 2012. He is the Manager of the Accounting Department of the Group. He holds a Bachelor Degree and is a member of the HKICPA. He has over 10 years’ experience in auditing and accounting.

**Mr. LAU Kwok Yin**, aged 31, joined the Group in 2012. He is the Company Secretary of the Company. He holds a Bachelor Degree and is a member of the HKICPA. He has over 5 years’ experience in secretarial, finance and banking operations.

## REPORT OF THE DIRECTORS

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

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 1 to the financial statements.

### RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the accompanying financial statements.

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

### SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate. This summary does not form any part of the audited financial statements.

### RESULTS

	Year ended 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
REVENUE	<b>(55,663)</b>	114,242	21,708	62,854	(34,594)
Cost of sales	<b>(754)</b>	(696)	(634)	(547)	(494)
Gross (loss)/profit	<b>(56,417)</b>	113,546	21,074	62,307	(35,088)
Other income and gains	<b>13,462</b>	19,493	25,170	40,488	19,750
Selling and distribution expenses	–	–	–	(99)	(3)
Operating and administrative expenses	<b>(7,910)</b>	(10,556)	(5,872)	(5,486)	(6,674)
Finance costs	<b>(234)</b>	(821)	(1,613)	(2,185)	(1,785)
Share of profits and losses of associates	<b>30,606</b>	5,249	4,270	2,583	5,499
(LOSS)/PROFIT BEFORE TAX	<b>(20,493)</b>	126,911	43,029	97,608	(18,301)
Income tax (expense)/credit	<b>(252)</b>	(424)	(261)	(260)	1,375
(LOSS)/PROFIT FOR THE YEAR	<b>(20,745)</b>	126,487	42,768	97,348	(16,926)
Attributable to:					
Owners of the Company	<b>(20,745)</b>	126,487	42,768	97,348	(16,926)
Non-controlling interests	–	–	–	–	–
	<b>(20,745)</b>	126,487	42,768	97,348	(16,926)

## REPORT OF THE DIRECTORS

### ASSETS AND LIABILITIES

	As at 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Total assets	<b>1,016,198</b>	766,772	754,398	643,678	586,813
Total liabilities	<b>(309,898)</b>	(24,272)	(130,854)	(160,357)	(231,582)
	<b><u>706,300</u></b>	<u>742,500</u>	<u>623,544</u>	<u>483,321</u>	<u>355,231</u>

### BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 are set out in the section headed "Chairman's Statement and Management Discussion and Analysis" on the page 3 to 5 of the annual report.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting the environmental sustainability. The Group is committed to implementing policies and measures in our daily business operations to foster reduction of the Group's environmental impact. The Company also strives to implement recycling and reducing measures in office premises where applicable.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year under review, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

### RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus employee management focuses on recruiting and growing the right people. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy.

The Group also understands that maintaining long-term good relationship with business partners is also one of the primary objectives of the Group. Accordingly, our management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between the Group and its business partners.

### INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in Note 15 to the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

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

### SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements in the share capital and share option scheme of the Company during the year are set out in Notes 25 and 26 to the financial statements, respectively.

## REPORT OF THE DIRECTORS

### PRE-EMPTIVE RIGHTS

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

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

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

### RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

As of 31 December 2015, the Company's share premium account, in the amount of approximately HK\$498,761,000 (2014: HK\$498,761,000), may be distributed in the form of fully paid bonus shares. Under the Companies Act of Bermuda, the contributed surplus of the Company, in the amount of approximately HK\$88,380,000 as at 31 December 2015 (2014: HK\$88,380,000), is distributable to shareholders in certain circumstances, as prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

### DIRECTORS

The directors of the Company (the "Director(s)") during the year and up to the date of this report were:

#### Executive Directors

Mr. Lau Chi Yung, Kenneth *(Chairman)*  
Mr. Lau Michael Kei Chi *(Vice-Chairman and Managing Director)*

#### Independent Non-executive Directors

Mr. Lo Yick Wing  
Mr. Wong Yim Sum  
Mr. Lee Siu Man, Ervin  
Mr. Tsui Ka Wah

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

In accordance with the Company's bye-laws, Mr. Wong Yim Sum and Mr. Lee Siu Man, Ervin will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Brief biography of the Directors and senior management of the Group are set out on page 6 of the annual report.

## REPORT OF THE DIRECTORS

### DIRECTORS' SERVICE CONTRACTS

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

### DIRECTORS' INTERESTS IN CONTRACTS

Apart from those transactions disclosed in Note 31 to the financial statements, no director had a material interest, either directly or indirectly, in any material contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

### PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

### CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" of this annual report.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As of 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company and each of their respective associates, in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

#### Long position in ordinary shares of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	1,729,540,999*	64.06

## REPORT OF THE DIRECTORS

### Long position in ordinary shares of associated corporation – Multifield International, an intermediate holding company of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of associated corporation %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	2,797,055,712*	66.91

\* *The above shares are ultimately controlled by Power Resources Holdings Limited which acts as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.*

The interests of the directors in the share options of the Company are separately disclosed in Note 26 to the financial statements.

Other than certain nominee shares in subsidiaries held by a director in trust for the companies in the Group, no director held an interest in the share capital of the Company's subsidiaries during the year.

Save as disclosed above, as of 31 December 2015, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (ii) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations" above and in the share option schemes disclosures in Note 26 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

So far as was known to the Directors, as of 31 December 2015, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

## REPORT OF THE DIRECTORS

### Long positions in ordinary shares of the Company

Name of Shareholders	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Limitless Investment Limited	Directly beneficially owned	1,729,540,999 <sup>#</sup>	64.06
Multifield International Holdings (B.V.I.) Limited	Interest of controlled corporation	1,729,540,999 <sup>#</sup>	64.06
Multifield International	Interest of controlled corporation	1,729,540,999 <sup>#</sup>	64.06
Lucky Speculator Limited	Interest of controlled corporation	1,729,540,999 <sup>#</sup>	64.06
Desert Prince Limited	Interest of controlled corporation	1,729,540,999 <sup>#</sup>	64.06
Power Resources Holdings Limited	Interest of controlled corporation	1,729,540,999 <sup>#</sup>	64.06

<sup>#</sup> *Power Resources Holdings Limited was deemed to have a beneficial interest in 1,729,540,999 ordinary shares of the Company by virtue of its indirect interests in Lucky Speculator Limited, Desert Prince Limited, Multifield International, Multifield International Holdings (B.V.I.) Limited and Limitless Investment Limited.*

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

### CONNECTED TRANSACTIONS

Details of the connected transactions are set out in Note 31 to the financial statements.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company’s total issued share capital was held by the public as of the date of this report.

### AUDITORS

The financial statements for the years ended 31 December 2013, 2014 and 2015 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

### ON BEHALF OF THE BOARD

**Lau Chi Yung, Kenneth**  
Chairman

Hong Kong  
30 March 2016

## CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal control, transparency and accountability to all shareholders.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has applied the principles and complied with code provisions of the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2015, save as disclosed below.

Under code provisions A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term, subjected to re-election; and (ii) all directors appointed to fill a causal vacancy should be subjected to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the bye-laws of the Company, at each general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant bye-laws of the Company, if necessary, in order to ensure compliance with the Code.

### BOARD COMPOSITION AND BOARD PRACTICE

The Board is mandated to promote the success of the Company by providing leadership and supervising control of the Group’s business.

Currently, the Board comprises of two executive Directors and four independent non-executive Directors. The positions of chairman and managing director are held by separate individuals. The chairman provides leadership for the board and the managing director, supported by the management team, provides planning and implementation. The Board, led by Mr. Lau Chi Yung, Kenneth is responsible for the approval and monitoring of the Group’s overall strategies and policies, approval of annual budgets and business plans; evaluating the performance of Group; and oversight of management. The chairman ensures that the Board works effectively and discharges its responsibilities. All directors have been consulted on all major and material matters of the Company. With the support of the company secretary, the chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

To implement the strategies and plans approved by the Board, executive directors and senior management meet on a regular basis to review the performance of the Group and make financial and operational decisions.

Under the Listing Rules, every listed issuer is required to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Currently, the number of independent non-executive directors represents more than one-third of the total board members.

Save as Mr. Lau Michael Kei Chi is the elder brother of Mr. Lau Chi Yung, Kenneth, the members of the Board have no financial, business, family or other material/relevant relationships with one another.

## CORPORATE GOVERNANCE REPORT

The Company has arranged directors and officers liability and company reimbursement insurances for its directors and officers.

Consideration was given to the independence of Mr. Lo Yick Wing and Mr. Wong Yim Sum, who have served on the Board for more than 11 years and 11 years respectively.

Each of the independent non-executive director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that 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. Review will be made regularly on the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The brief biography of the Directors are set out on page 6.

The Board has scheduled regular meetings per year and meets more frequently as and when required to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters. The Director can attend meetings in person or through other means of electronic communication. During the financial year ended 31 December 2015, the attendance of individual Director to the Board meeting and general meeting is summarized below:

	Number of meetings attended/held	
	Board meetings	General meeting
<b>Executive Directors</b>		
Mr. Lau Chi Yung, Kenneth	9/9	1/1
Mr. Lau Michael Kei Chi	9/9	1/1
<b>Independent Non-executive Directors</b>		
Mr. Lo Yick Wing	9/9	1/1
Mr. Wong Yim Sum	9/9	1/1
Mr. Lee Siu Man, Ervin	9/9	1/1
Mr. Tsui Ka Wah	9/9	1/1

The company secretary keeps the Board minutes of the Company for inspection by the Directors and all Directors have full access to information of the Company.

### BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy in December 2013 which sets out the approach to achieve diversity on the Board.

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Nomination Committee has set measurable objectives based on talents, skills, regional and industry experience, background, gender and other qualities to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

## CORPORATE GOVERNANCE REPORT

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2015. The interests held by individual Directors in the Company's securities as of 31 December 2015 are set out in the "Report of the Directors" on pages 7 to 12.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

With the assistance from the Finance Department, which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

The statement of the external auditors of the Company, HLB Hodgson Impey Cheng Limited, with regard to its reporting responsibilities on the Group's consolidated financial statements, is set out in the Independent Auditors' Report included in this annual report.

The Directors confirm that, to the best of their knowledge, having made a reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Group not to continue as a going concern.

### DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance and enhance their awareness of good corporate governance practices.

Briefings were organised for Directors in 2015 to update the Directors on the environmental, social and governance reporting, Listing Rules Compliance and tax updates and directors' duties were given to the Directors.

During the year, according to the records provided by the Directors, a summary of training is as follows:

#### Type of continuous professional development programmes

##### Executive Directors

Mr. Lau Chi Yung, Kenneth	A, B
Mr. Lau Michael Kei Chi	A, B

##### Independent Non-executive Directors

Mr. Lo Yick Wing	A, B
Mr. Wong Yim Sum	A, B
Mr. Lee Siu Man, Ervin	A, B
Mr. Tsui Ka Wah	A, B

##### Notes:

- A: reading materials and seminars on corporate governance and regulatory updates
- B: reading materials and seminars on directors' duties, environmental, social and governance reporting, Listing Rules Compliance update, tax update and other applicable legal and regulatory requirements

## CORPORATE GOVERNANCE REPORT

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lau Chi Yung, Kenneth serves as the Chairman of the Company, and the role of Chief Executive Officer of the Company is served by our Managing Director, Mr. Lau Michael Kei Chi. They have separate defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring key issues are promptly addressed by the Board, as well as providing strategic direction of the Company, and also take primary responsibility for ensuring good corporate governance practices and procedures are established. The Managing Director is responsible for the day-to-day management of the Company's business and the effective implementation of corporate strategy and policies.

### AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with the Listing Rules. The Audit Committee's terms of reference includes those specific duties as set out in the code provision C.3.3 of the Code. Pursuant to its terms of reference, the Audit Committee is required, amongst other things, to consider and recommend to the Board the appointment, re-appointment and removal of the external auditors and to approve their remuneration, to review the interim and annual financial statements, to review the Group's financial controls, internal controls and risk management system and to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response. The Audit Committee should meet at least twice each year and when the need arises. Details of the attendance of Audit Committee meetings are as follows:

Members	Number of meetings attended/held
Mr. Wong Yim Sum ( <i>Chairman</i> )	4/4
Mr. Lo Yick Wing	4/4
Mr. Lee Siu Man, Ervin	4/4
Mr. Tsui Ka Wah	4/4

In the presence of the representatives of the Company's independent external auditors, the Group's draft audited consolidated financial statements for the year ended 31 December 2015 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

The accounts for the year ended 31 December 2015 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be reappointed as the auditors of the Company at the forthcoming annual general meeting of the Company.

### REMUNERATION COMMITTEE

The main responsibilities of the Remuneration Committee are to consider and recommend to the Board the Company's remuneration policy and structure and to review and determine the remuneration and compensation packages of the executive directors and senior management of the Company. The Remuneration Committee reviews and proposes the management's remuneration proposals with reference to considerations factors such as the Group's performance and profitability, directors' experience, responsibilities and time commitment, existing market environment, salaries paid by comparable companies, employment conditions elsewhere in the Group, and considers the reasonableness on remuneration based on performance.

The Remuneration Committee set up on 16 September 2005 comprises two executive Directors and four independent non-executive Directors. Details of the attendance of the committee are as follows:

Members	Number of meetings attended/held
Mr. Tsui Ka Wah ( <i>Chairman</i> )	1/1
Mr. Lau Chi Yung, Kenneth	1/1
Mr. Lau Michael Kei Chi	1/1
Mr. Lo Yick Wing	1/1
Mr. Wong Yim Sum	1/1
Mr. Lee Siu Man, Ervin	1/1

## CORPORATE GOVERNANCE REPORT

### NOMINATION COMMITTEE

The role of Nomination Committee set up on 28 March 2012 is to advise on and propose to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. The selection criteria are mainly based on the professional qualification and experience of the candidate. A newly appointed director must retire and be re-elected at the first general meeting after his appointment. At each annual general meeting, one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring director shall be eligible for re-election. Details of the attendance of the committee are as follows:

Members	Number of meetings attended/held
Mr. Lau Chi Yung, Kenneth ( <i>Chairman</i> )	1/1
Mr. Lau Michael Kei Chi	1/1
Mr. Lo Yick Wing	1/1
Mr. Wong Yim Sum	1/1
Mr. Lee Siu Man, Ervin	1/1
Mr. Tsui Ka Wah	1/1

The Nomination Committee periodically reviews the structure, size and composition of the Board, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties include identifying individuals suitably qualified to become Board members, and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of independent non-executive directors.

Most Nomination Committee members are independent non-executive directors.

### REMUNERATION OF MEMBERS OF SENIOR MANAGEMENT BY BAND

Pursuant to paragraph B.1.5 of the Code, the remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out in Note 9 to the financial statements.

### INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislation and regulations.

### BUSINESS MODEL AND STRATEGY

The Group has the mission to maintain long term profitability and assets growth with adoption of flexible business model and strategy and prudential risk and capital management framework. The Board has played and will continue to play a proactive role in the Group's development of business model to preserve the culture of the Group in serving customers well with premium service quality; the Group's business strategic drive for business expansion and opportunities; and the Group's setting of strategic goals, priorities and initiatives undertaken to motivate staff to achieve business and financial targets. Details of the Group's Business Review and Financial Review in the year 2015 are set out in the "Chairman's Statement and Management Discussion and Analysis" section of this annual report.

### AUDITORS' REMUNERATION

In line with the sound practice that the independence of external auditors should not be impaired by other non-audit assignments, the Group ensures that assignments other than statutory audits undertaken by external auditors should not have an adverse impact on their independence.

## CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2015, the auditors of the Company received approximately HK\$210,000 for audit service and Nil for tax and consultancy services.

### COMPANY SECRETARY

As at 31 December 2015, the company secretary of the Company, Mr. Lau Kwok Yin fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the year ended 31 December 2015. His biography is set out in the “Brief Biography of Directors and Senior Management” section of this annual report.

### SHAREHOLDERS' RIGHTS

#### Procedures for shareholders to convene a Special General Meeting (the “SGM”)

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

#### Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong  
Email: [info@linkful.com.hk](mailto:info@linkful.com.hk)

Shareholders may also make enquiries with the Board at the general meetings of the Company.

#### Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's principal place of business in Hong Kong at Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

## **CORPORATE GOVERNANCE REPORT**

### **CONSTITUTIONAL DOCUMENTS**

There are no changes in the Company's constitutional documents during the year.

### **INVESTOR RELATIONS AND COMMUNICATION**

The Company establishes different communication channels with shareholders and investors. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) the Company replies to enquiries from shareholders timely; and (iv) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

In fact, the Company's annual general meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Group's performance. A separate resolution is proposed for each substantially separate issue at the AGM.

## INDEPENDENT AUDITORS' REPORT



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

To the shareholders of  
**Oriental Explorer Holdings Limited**  
*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Oriental Explorer Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 22 to 82, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

### **AUDITORS' RESPONSIBILITY**

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

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

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

## INDEPENDENT AUDITORS' 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 the Group's 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.

**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*

**Chan Ching Pang**  
Practising Certificate Number: P05746

Hong Kong, 30 March 2016

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>REVENUE</b>	5	<b>(55,663)</b>	114,242
Cost of sales		<u>(754)</u>	<u>(696)</u>
Gross (loss)/profit		<b>(56,417)</b>	113,546
Other income and gains	5	<b>6,165</b>	6,079
Foreign exchange differences, net		<b>(753)</b>	(426)
Fair value gains on investment properties, net		<b>8,050</b>	13,840
Operating and administrative expenses		<b>(7,910)</b>	(10,556)
Finance costs	7	<b>(234)</b>	(821)
Share of profits of an associate		<u><b>30,606</b></u>	<u>5,249</u>
<b>(LOSS)/PROFIT BEFORE TAX</b>	6	<b>(20,493)</b>	126,911
Income tax expense	10	<u><b>(252)</b></u>	<u>(424)</u>
<b>(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><b>(20,745)</b></u>	<u>126,487</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		<b>(1,177)</b>	(1,908)
Reclassification adjustments for gains included in the consolidated statement of profit or loss – gain on disposal		<u><b>(5,914)</b></u>	<u>(2,181)</u>
		<b>(7,091)</b>	(4,089)
Share of other comprehensive expense of an associate		<b>(8,357)</b>	(3,439)
Exchange differences on translation of foreign operations		<u><b>(7)</b></u>	<u>(3)</u>
<b>NET OTHER COMPREHENSIVE EXPENSE TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX</b>		<u><b>(15,455)</b></u>	<u>(7,531)</u>
<b>TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><b>(36,200)</b></u>	<u>118,956</u>
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	12	<u><b>HK(0.77) cents</b></u>	<u>HK4.68 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	232	392
Prepaid land lease payments	14	400	408
Investment properties	15	180,690	172,640
Investment in an associate	16	125,221	109,733
Club debenture		670	670
Available-for-sale investments	17	38,960	38,960
		<hr/>	<hr/>
Total non-current assets		346,173	322,803
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables	18	646	658
Available-for-sale investments	17	–	95,145
Equity investments at fair value through profit or loss	19	511,110	274,415
Pledged deposits	20	65	18,275
Cash and cash equivalents	20	158,204	55,476
		<hr/>	<hr/>
Total current assets		670,025	443,969
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		1,016,198	766,772
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	21	14,845	6,299
Derivative financial instruments	22	26,308	–
Interest-bearing bank and other borrowings	23	263,585	13,065
Tax payable		3,818	3,818
		<hr/>	<hr/>
Total current liabilities		308,556	23,182
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		361,469	420,787
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		707,642	743,590
		<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	24	<u>1,342</u>	<u>1,090</u>
Total non-current liabilities		<u>1,342</u>	<u>1,090</u>
<b>Net assets</b>		<u><b>706,300</b></u>	<u><b>742,500</b></u>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	25	<b>27,000</b>	27,000
Reserves	27	<u><b>679,300</b></u>	<u>715,500</u>
<b>Total equity</b>		<u><b>706,300</b></u>	<u><b>742,500</b></u>

**Lau Chi Yung, Kenneth**  
*Chairman*

**Lau Michael Kei Chi**  
*Vice-Chairman*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the Company						
	Issued capital HK\$'000 (Note 25)	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Available-for- sale investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2014	27,000	498,761	546	11,180	39,892	46,165	623,544
Profit for the year	-	-	-	-	-	126,487	126,487
Other comprehensive expense for the year:							
Changes in fair value of available-for-sale investments	-	-	-	(4,089)	-	-	(4,089)
Share of other comprehensive expense of an associate	-	-	-	-	(3,439)	-	(3,439)
Exchange differences on translation of foreign operations	-	-	-	-	(3)	-	(3)
Total comprehensive (expense)/income for the year	-	-	-	(4,089)	(3,442)	126,487	118,956
At 31 December 2014	<u>27,000</u>	<u>498,761*</u>	<u>546*</u>	<u>7,091*</u>	<u>36,450*</u>	<u>172,652*</u>	<u>742,500</u>
At 1 January 2015	<b>27,000</b>	<b>498,761</b>	<b>546</b>	<b>7,091</b>	<b>36,450</b>	<b>172,652</b>	<b>742,500</b>
Loss for the year	-	-	-	-	-	(20,745)	(20,745)
Other comprehensive expense for the year:							
Changes in fair value of available-for-sale investments	-	-	-	(7,091)	-	-	(7,091)
Share of other comprehensive expense of an associate	-	-	-	-	(8,357)	-	(8,357)
Exchange differences on translation of foreign operations	-	-	-	-	(7)	-	(7)
Total comprehensive expense for the year	-	-	-	(7,091)	(8,364)	(20,745)	(36,200)
At 31 December 2015	<u>27,000</u>	<u>498,761*</u>	<u>546*</u>	<u>-*</u>	<u>28,086*</u>	<u>151,907*</u>	<u>706,300</u>

\* These reserve accounts comprise the consolidated reserves of approximately HK\$679,300,000 (2014: HK\$715,500,000) in the consolidated statement of financial position.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before tax	(20,493)	126,911
Adjustments for:		
Finance costs	234	821
Share of profits of an associate	(30,606)	(5,249)
Interest income	(5,618)	(9,928)
Dividend income from listed investments	(13,697)	(12,431)
Dividend income from unlisted investments	(400)	(71,820)
Depreciation	160	151
Changes in fair value of investment properties	(8,050)	(13,840)
Recognition of prepaid land lease payments	8	8
Impairment of available-for-sale investments	–	3,789
Fair value losses/(gains) on equity investments at fair value through profit or loss, net	53,174	(16,563)
Fair value losses on derivative financial instruments, net	26,308	–
Fair value gains on available-for-sale investments (transfer from equity on disposal)	(5,914)	(2,181)
Waiver of other payables	–	(3,027)
	<u>(4,894)</u>	<u>(3,359)</u>
Decrease/(increase) in prepayments, deposits and other receivables	12	(9)
Increase in equity investments at fair value through profit or loss	(289,869)	(2,460)
Increase in other payables and accruals	8,546	111
	<u>(286,205)</u>	<u>(5,717)</u>
Cash used in operations	(286,205)	(5,717)
Dividends received from listed investments	13,697	12,431
Dividends received from unlisted investments	400	71,820
Interest received	5,587	9,493
	<u>(266,521)</u>	<u>88,027</u>
Net cash flows (used in)/from operating activities	<u>(266,521)</u>	<u>88,027</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease/(increase) in pledged deposits	18,210	(17,232)
Dividend income from an associate	6,761	–
Proceeds from disposal of available-for-sale investments	96,464	47,072
Purchases of available-for-sale investments	(2,496)	–
Purchases of items of property, plant and equipment	–	(261)
Interest received	31	435
	<u>118,970</u>	<u>30,014</u>
Net cash flows from investing activities	<u>118,970</u>	<u>30,014</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of interest-bearing bank borrowings		(13,065)	(5,658)
Net change in short-term revolving loans		263,585	(98,432)
Interest paid		(234)	(821)
		250,286	(104,911)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		55,476	42,349
Effect of foreign exchange rate changes, net		(7)	(3)
		158,204	55,476
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	20	158,204	55,476

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 1. CORPORATE AND GROUP INFORMATION

Oriental Explorer Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is located at Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities:

- property investment; and
- trading of securities and investment holding.

In the opinion of the directors, the holding company of the Company is Limitless Investment Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands.

#### Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Keen2learn.com International Limited	Hong Kong	HK\$2	–	100	Property investment
Linkful (Holdings) Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$20,000,000	–	100	Investment holding
Linkful Management Services Limited	Hong Kong	HK\$2	–	100	Provision of management services
Linkful (PRC) Investments Limited	Hong Kong	HK\$2	–	100	Investment holding
Linkful Properties Company Limited	Hong Kong/ Mainland China	HK\$2	–	100	Investment holding and property holding

## NOTES TO FINANCIAL STATEMENTS

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### 1. CORPORATE AND GROUP INFORMATION (continued)

#### Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Linkful Secretarial Services Limited	Hong Kong	HK\$10,000	–	100	Property investment
Linkful Strategic Investment Limited	British Virgin Islands	US\$1	100	–	Investment holding
Power Earning Limited	Hong Kong	HK\$1	–	100	Property investment
Snowdon Worldwide Limited	British Virgin Islands	US\$1	–	100	Investment holding
珠海市能豐商務 服務有限公司 (Note (i))	Mainland China	HK\$120,000	–	100	Provision of property consultant services

Note:

- (i) The subsidiary is registered as a wholly-foreign owned enterprise under the PRC law.

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

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

## NOTES TO FINANCIAL STATEMENTS

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### 2.1 BASIS OF PREPARATION *(continued)*

#### Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 <i>Annual Improvements to HKFRSs 2010-2012 Cycle</i>	<i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs
<i>Annual Improvements to HKFRSs 2011-2013 Cycle</i>	Amendments to a number of HKFRSs

The nature and the impact of each amendment is described below:

- (a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.
- (b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
  - *HKFRS 8 Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.
  - *HKAS 16 Property, Plant and Equipment* and *HKAS 38 Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.
  - *HKAS 24 Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

- (c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.
  - HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.
  - HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the acquisition of investment properties during the year was not a business combination and so this amendment is not applicable.

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

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

**NOTES TO FINANCIAL STATEMENTS**

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**2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS** *(continued)*

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2016
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2018
- <sup>3</sup> Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
- <sup>4</sup> Effective for annual periods beginning on or after a date to be determined

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and other comprehensive income. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and OCI of an associate is included in the statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investment in associate.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Investments in associates *(continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

#### Fair value measurement

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Impairment of non-financial assets

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

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

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

#### Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

## NOTES TO FINANCIAL STATEMENTS

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### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Related parties *(continued)*

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

#### Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Buildings	5% or over the lease terms, if shorter
Leasehold improvements	Over the lease terms
Furniture, fixtures, office and computer equipment	20% - 33 1/3%
Motor vehicles	20% - 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

#### **Investment properties**

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss and other comprehensive income in the year of the retirement or disposal.

#### **Leases**

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

#### **Investments and other financial assets**

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include cash and bank balances, other receivables, loans receivable, and quoted and unquoted financial instruments.

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Investments and other financial assets** *(continued)**Subsequent measurement*

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

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as revenue in the statement of profit or loss and other comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

*Loans and receivables*

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

*Available-for-sale financial investments*

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Investments and other financial assets** *(continued)*

##### *Available-for-sale financial investments (continued)*

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as OCI in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss and other comprehensive income in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss and other comprehensive income in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss and other comprehensive income as revenue in accordance with the policies set out for “Revenue recognition” below.

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable futures or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss and other comprehensive income.

#### **Derecognition of financial assets**

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

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Derecognition of financial assets** *(continued)*

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

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

#### **Impairment of financial assets**

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

#### *Financial assets carried at amortised cost*

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

##### *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

##### *Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss and other comprehensive income, is removed from OCI and recognised in the statement of profit or loss and other comprehensive income.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income – is removed from OCI and recognised in the statement of profit or loss and other comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss and other comprehensive income. Increases in their fair value after impairment are recognised directly in OCI.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss and other comprehensive income if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss and other comprehensive income.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Financial liabilities

##### *Initial recognition and measurement*

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

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

The Group's financial liabilities include other payables and accruals, amount due to a director, and interest-bearing bank and other borrowings.

##### *Subsequent measurement*

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

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. The net fair value gain or loss recognised in the statement of profit or loss and other comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

##### *Loans and borrowings*

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

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Financial liabilities** *(continued)*

##### *Financial guarantee contracts*

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

#### **Derecognition of financial liabilities**

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

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

#### **Offsetting of financial instruments**

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

#### **Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis.

#### **Derivative financial instruments**

##### *Initial recognition and subsequent measurement*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Cash and cash equivalents

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

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

#### Provisions

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

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

#### Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Income tax *(continued)*

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

#### Revenue recognition

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

- (a) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (b) dividend income, when the shareholders' right to receive payment has been established;
- (c) rental income from property letting, in the period in which the properties are let and on a time proportion basis over the lease terms;
- (d) income from the sale of debt investments, on the trade date;
- (e) realised fair value gains or losses on securities trading on a trade date basis, whilst unrealised fair value gains or losses, on change in fair value at the end of the reporting period; and
- (f) fair value gains or losses on derivative financial instruments, on change in fair value at the end of the reporting period.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate option pricing model.

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Other employee benefits

##### *Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “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 a percentage of the employees’ basic salaries and are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

##### *Employment Ordinance long service payments*

Certain of the Group’s employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of the reporting period.

#### Borrowing costs

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

#### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Foreign currencies

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

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

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

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

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

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

#### Judgements

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

#### *Operating lease commitments – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### **Judgements** *(continued)*

##### *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### **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 described below.

##### *Fair values of financial instruments*

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

##### *Impairment of available-for-sale financial assets*

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss and other comprehensive income. As at 31 December 2015, the carrying amount of available-for-sale financial assets was approximately HK\$38,960,000 (2014: HK\$134,105,000). Further details are included in Note 17 to the financial statements.

##### *Estimation of fair value of investment properties*

As described in Note 15, the investment properties were revalued at the end of the reporting period on market value existing use basis by an independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### Estimation uncertainty *(continued)*

##### *Income taxes and deferred taxation*

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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

### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into three (2014: three) reportable operating segments as follows:

- (a) the property investment segment mainly comprises rental income from investment properties;
- (b) the trading and investments segment includes the trading of securities and investment income from securities investment and investment holding; and
- (c) the corporate and others segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from operations. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax from operations except that interest income from loans and receivables, fair value gains/losses on investment properties, share of profits and losses of an associate, finance costs and other gains are excluded from such measurement.

Segment assets exclude pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, and deferred tax liabilities as these liabilities are managed on a group basis.

There are no sales or other transactions between the operating segments during the year (2014: Nil).

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 4. OPERATING SEGMENT INFORMATION (continued)

Years ended 31 December 2015 and 2014

	Property investment		Trading and investments		Corporate and others		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>Segment revenue:</b>								
Sales to external customers	4,135	3,935	(60,198)	38,487	400	71,820	(55,663)	114,242
<b>Segment results</b>	<b>3,250</b>	<b>3,120</b>	<b>(62,873)</b>	<b>36,552</b>	<b>(5,457)</b>	<b>62,892</b>	<b>(65,080)</b>	<b>102,564</b>
<i>Reconciliation:</i>								
Interest income from loans and receivables							31	435
Other gains							6,134	5,644
Fair value gains on investment properties, net	8,050	13,840	-	-	-	-	8,050	13,840
Finance costs							(234)	(821)
Share of profits of an associate	30,606	5,249	-	-	-	-	30,606	5,249
(Loss)/profit before tax							(20,493)	126,911
	Property investment		Trading and investments		Corporate and others		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>Segment assets</b>	<b>180,771</b>	<b>172,739</b>	<b>512,230</b>	<b>370,679</b>	<b>39,707</b>	<b>39,870</b>	<b>732,708</b>	<b>583,288</b>
<i>Reconciliation:</i>								
Unallocated assets							158,269	73,751
Investment in an associate	125,221	109,733	-	-	-	-	125,221	109,733
Total assets							1,016,198	766,772
<b>Segment liabilities</b>	<b>1,140</b>	<b>1,132</b>	<b>34,856</b>	<b>80</b>	<b>5,157</b>	<b>5,087</b>	<b>41,153</b>	<b>6,299</b>
<i>Reconciliation:</i>								
Unallocated liabilities							268,745	17,973
Total liabilities							309,898	24,272
<b>Other segment information:</b>								
Depreciation and amortisation	-	-	-	-	168	159	168	159
Impairment of available-for-sale investments	-	-	-	-	-	3,789	-	3,789
Fair value gains on investment properties, net	8,050	13,840	-	-	-	-	8,050	13,840
Fair value (losses)/gains on equity investments at fair value through profit or loss, net	-	-	(53,174)	16,563	-	-	(53,174)	16,563
Fair value losses on derivative financial instruments, net	-	-	(26,308)	-	-	-	(26,308)	-
Capital expenditure*	-	-	-	-	-	261	-	261

\* Capital expenditure consists of additions to property, plant and equipment and investment properties.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 4. OPERATING SEGMENT INFORMATION *(continued)*

#### Geographical information

(a) Revenue from sales to external customers are all generated from Hong Kong. No single external customer accounted for 10% or more of the total revenue for the years ended 31 December 2015 and 2014.

	Hong Kong		Mainland China		Total	
	2015	2014	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	<u>180,922</u>	<u>172,993</u>	<u>400</u>	<u>447</u>	<u>181,322</u>	<u>173,440</u>

The non-current asset information above is based on the locations of assets and excludes financial instruments.

### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Revenue</b>		
Rental income from property letting	4,135	3,935
Fair value (losses)/gains on equity investments at fair value through profit or loss, net	(53,174)	16,563
Fair value losses on derivative financial instruments, net	(26,308)	–
Dividend income from listed investments	13,697	12,431
Dividend income from unlisted investments	400	71,820
Interest income from available-for-sale investments	5,587	9,493
	<u>(55,663)</u>	<u>114,242</u>
<b>Other income and gains</b>		
Interest income from loans and receivables	31	435
Fair value gains on available-for-sale investments (transfer from equity on disposal)	5,914	2,181
Waiver of other payables	–	3,027
Others	220	436
	<u>6,165</u>	<u>6,079</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 6. (LOSS)/PROFIT BEFORE TAX

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of services provided	754	696
Depreciation	160	151
Amortisation of prepaid land lease payments	8	8
Auditors' remuneration	210	200
Impairment of available-for-sale investments*	–	3,789
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	754	696
Foreign exchange differences, net	<u>753</u>	<u>426</u>
Employee benefit expense (including directors' and chief executive's remuneration ( <i>Note 8</i> )):		
Salaries, wages and other benefits	5,478	4,813
Pension scheme contributions (defined contribution scheme) ( <i>Note</i> )	<u>121</u>	<u>96</u>
Total staff costs	<u>5,599</u>	<u>4,909</u>

\* Included in "Operating and administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

*Note:*

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

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank loans and other loans	<u>234</u>	<u>821</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Fees	<u>312</u>	<u>304</u>
Other emoluments:		
Salaries, allowances and benefits in kind	2,970	2,800
Pension scheme contributions	<u>18</u>	<u>17</u>
	<u>2,988</u>	<u>2,817</u>
	<u><b>3,300</b></u>	<u><b>3,121</b></u>

#### (a) Independent non-executive directors

The fees paid to the independent non-executive directors during the year were as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Mr. Lo Yick Wing	78	76
Mr. Wong Yim Sum	78	76
Mr. Lee Siu Man, Ervin	78	76
Mr. Tsui Ka Wah	<u>78</u>	<u>76</u>
	<u><b>312</b></u>	<u><b>304</b></u>

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

#### (b) Executive directors and chief executive

	Fees		Salaries, allowances and benefits in kind		Pension scheme contributions		Total remuneration	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors:</b>								
Mr. Lau Chi Yung, Kenneth	-	-	2,970	2,800	18	17	2,988	2,817
Mr. Lau Michael Kei Chi (Chief executive)	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>2,970</u>	<u>2,800</u>	<u>18</u>	<u>17</u>	<u>2,988</u>	<u>2,817</u>

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

### 9. FIVE HIGHEST PAID EMPLOYEES

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

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and benefits in kind	1,236	1,151
Pension scheme contributions	57	51
	<u>1,293</u>	<u>1,202</u>

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

	Number of employees	
	2015	2014
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, in which the Group operates.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deferred ( <i>Note 24</i> )	<u>252</u>	<u>424</u>
Total tax charge for the year	<u><u>252</u></u>	<u><u>424</u></u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss)/profit before tax	<u><u>(20,493)</u></u>	<u><u>126,911</u></u>
Tax at the applicable tax rate	(3,381)	20,940
Profits attributable to an associate	(5,050)	(866)
Income not subject to tax	(10,522)	(21,429)
Expenses not deductible for tax	18,745	1,336
Tax losses utilised from previous periods	–	(21)
Tax losses not recognised	<u>460</u>	<u>464</u>
Tax charge at the Group's effective rate	<u><u>252</u></u>	<u><u>424</u></u>

The share of tax attributable to an associate amounting to approximately HK\$5,050,000 (2014: HK\$866,000) is included in "Share of profits of an associate" in the statement of profit or loss and other comprehensive income.

### 11. DIVIDENDS

The directors do not recommend the declaration of a final dividend for the year ended 31 December 2015 (2014: Nil).

### 12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK\$20,745,000 (2014: profit for the year of approximately HK\$126,487,000), and the weighted average number of ordinary shares of 2,700,000,000 (2014: 2,700,000,000) in issue during the year.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HK\$'000</i>	Furniture, fixtures, office and computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 December 2015</b>				
At 31 December 2014 and at 1 January 2015:				
Cost	746	4	5,430	6,180
Accumulated depreciation	<u>(707)</u>	<u>(4)</u>	<u>(5,077)</u>	<u>(5,788)</u>
Net carrying amount	<u><u>39</u></u>	<u><u>–</u></u>	<u><u>353</u></u>	<u><u>392</u></u>
At 1 January 2015, net of accumulated depreciation				
	39	–	353	392
Depreciation provided during the year	<u>(39)</u>	<u>–</u>	<u>(121)</u>	<u>(160)</u>
At 31 December 2015, net of accumulated depreciation				
	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>232</u></u>	<u><u>232</u></u>
At 31 December 2015:				
Cost	746	4	5,430	6,180
Accumulated depreciation	<u>(746)</u>	<u>(4)</u>	<u>(5,198)</u>	<u>(5,948)</u>
Net carrying amount	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>232</u></u>	<u><u>232</u></u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

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

	Buildings <i>HK\$'000</i>	Furniture, fixtures, office and computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 December 2014</b>				
At 1 January 2014:				
Cost	746	174	5,600	6,520
Accumulated depreciation	<u>(670)</u>	<u>(174)</u>	<u>(5,394)</u>	<u>(6,238)</u>
Net carrying amount	<u><u>76</u></u>	<u><u>–</u></u>	<u><u>206</u></u>	<u><u>282</u></u>
At 1 January 2014, net of accumulated depreciation	76	–	206	282
Additions	–	–	261	261
Depreciation provided during the year	<u>(37)</u>	<u>–</u>	<u>(114)</u>	<u>(151)</u>
At 31 December 2014, net of accumulated depreciation	<u><u>39</u></u>	<u><u>–</u></u>	<u><u>353</u></u>	<u><u>392</u></u>
At 31 December 2014:				
Cost	746	4	5,430	6,180
Accumulated depreciation	<u>(707)</u>	<u>(4)</u>	<u>(5,077)</u>	<u>(5,788)</u>
Net carrying amount	<u><u>39</u></u>	<u><u>–</u></u>	<u><u>353</u></u>	<u><u>392</u></u>

### 14. PREPAID LAND LEASE PAYMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Carrying amount at 1 January	408	416
Recognised during the year	<u>(8)</u>	<u>(8)</u>
Carrying amount at 31 December	<u><u>400</u></u>	<u><u>408</u></u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 15. INVESTMENT PROPERTIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Carrying amount at 1 January	172,640	158,800
Net gain from fair value adjustments	<u>8,050</u>	<u>13,840</u>
Carrying amount at 31 December	<u><u>180,690</u></u>	<u><u>172,640</u></u>

The directors of the Company have determined that the investment properties consist of four classes of asset, i.e., car parking spaces, commercial properties, residential properties and industrial properties, based on the nature, characteristics and risk of each property.

The fair value of the Group's investment properties situated in Hong Kong at 31 December 2015 had been arrived at based on a valuation carried out on that date by Roma Appraisals Limited, the independent professional qualified valuer not connected to the Group.

The fair value of the Group's investment properties were revalued by Roma Appraisals Limited on 31 December 2015. The valuation was determined using the direct comparison method by making reference to comparable market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. There has been no change from the valuation techniques used in the prior year.

Management reviews the valuation performed by the independent valuer for financial reporting purposes on a yearly basis. The review includes verification of all major inputs to the valuation, assessing property valuation movements and discussions with the independent valuer. Management considers that the current use of investment properties equate the highest and best use.

Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in Note 29 to the financial statements.

At 31 December 2014, certain of the Group's investment properties with an aggregate carrying value of approximately HK\$152,090,000 were pledged to secure general banking facilities granted to the Group (*Note 23*).

Further particulars of the Group's investment properties are included on page 86.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 15. INVESTMENT PROPERTIES (continued)

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<b>Recurring fair value measurement for:</b>				
<b>2015</b>				
Car parking spaces	–	4,500	–	4,500
Commercial properties	–	90,000	–	90,000
Residential properties	–	36,700	–	36,700
Industrial properties	–	49,490	–	49,490
	–	<b>180,690</b>	–	<b>180,690</b>
<b>2014</b>				
Car parking spaces	–	3,450	–	3,450
Commercial properties	–	83,000	–	83,000
Residential properties	–	36,700	–	36,700
Industrial properties	–	49,490	–	49,490
	–	<b>172,640</b>	–	<b>172,640</b>

During the year ended 31 December 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 16. INVESTMENT IN AN ASSOCIATE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Share of net assets	<u>125,221</u>	<u>109,733</u>

Particulars of the Group's associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group %	Principal activities
Call Rich Investments Limited	12,520 ordinary shares of US\$1 each	British Virgin Islands	25.04	Investment holding

The Group's shareholdings in the associate's equity shares are indirectly held by the Company through wholly-owned subsidiaries.

The Group's associate is accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the Group's associate extracted from their financial statements:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current assets	169,106	167,233
Non-current assets	1,105,458	720,574
Current liabilities	(33,148)	(32,436)
Non-current liabilities	(484,903)	(238,197)
Non-controlling interests	<u>(256,428)</u>	<u>(178,942)</u>
Net assets	<u>500,085</u>	<u>438,232</u>
Revenues	32,003	35,420
Profit for the year	122,227	20,962
Total comprehensive income for the year	88,854	7,229
Dividend received	<u>6,761</u>	<u>–</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 17. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>		
Unlisted equity investments, at cost	60,556	60,556
Impairment	<u>(21,596)</u>	<u>(21,596)</u>
	<u>38,960</u>	<u>38,960</u>
<b>Current assets</b>		
Listed debt investments, at fair value	<u>–</u>	<u>95,145</u>
	<u><u>38,960</u></u>	<u><u>134,105</u></u>

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in OCI amounted to approximately HK\$7,091,000 (2014: HK\$4,089,000) of which approximately HK\$5,914,000 (2014: HK\$2,181,000) was reclassified from OCI to the statement of profit or loss and other comprehensive income for the year.

At 31 December 2014, the Group's listed debt investments with a carrying value of approximately HK\$95,145,000 were pledged as security for the Group's other loans, as further detailed in Note 23 to the financial statements.

The Group does not intend to dispose its unlisted equity investments with a carrying amount of approximately HK\$38,960,000 (2014: HK\$38,960,000) in the near future.

Particulars of the unlisted equity investments were as follows:

Name	Place of incorporation	Issued ordinary share capital	Percentage of equity interest attributable to the Group %	Principal activities
Rich Returns Limited	British Virgin Islands	US\$100	18	Investment holding
Head Wonder International Limited	British Virgin Islands	US\$10,000	5	Investment holding

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

None of the prepayments, deposits and other receivables is either past due or impaired. The financial assets included in the prepayments, deposits and other receivables relate to receivables for which there was no recent history of default.

### 19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Listed equity investments, at market value	<u>511,110</u>	<u>274,415</u>

The above equity investments at 31 December 2015 and 2014 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss. At 31 December 2015, certain of the Group's listed equity investments with an aggregate carrying amount of approximately HK\$510,169,000 (2014: HK\$270,987,000) were pledged to secure the Group's other loans, as further detailed in Note 23 to the financial statements.

### 20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cash and bank balances	158,269	73,751
Less: Pledged deposits	<u>(65)</u>	<u>(18,275)</u>
Cash and cash equivalents	<u>158,204</u>	<u>55,476</u>

The deposits of approximately HK\$65,000 (2014: HK\$18,275,000) were pledged as security for banking facilities granted.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$175,000 (2014: HK\$379,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 21. OTHER PAYABLES AND ACCRUALS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Accruals	4,571	3,547
Other payables	<u>10,274</u>	<u>2,752</u>
	<u><b>14,845</b></u>	<u><b>6,299</b></u>

Other payables are non-interest-bearing and repayable on demand.

### 22. DERIVATIVE FINANCIAL INSTRUMENTS

	Liabilities	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Equity forward accumulator contracts	<u><b>26,308</b></u>	<u><b>–</b></u>

The Group has entered into several accumulator contracts to purchase certain securities listed on the Hong Kong Stock Exchange according to the contracts at predetermined prices on every trading day. The equity forward accumulator contracts would be terminated automatically if the closing prices of the underlying securities on any specified trading day during the contract periods are at or above the predetermined knock-out prices.

These contracts were derivative financial instruments and were measured at fair value at the end of the reporting period. Fair value is determined in the manner as described in Note 33 to the financial statements, and a fair value loss of approximately HK\$26,308,000 (2014: Nil) in respect of these contracts was recognised in the statement of profit or loss and other comprehensive income.

Commitments arising from derivative financial instruments as at 31 December 2015 are disclosed in Note 30 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
	Contractual interest rate (%)	Maturity	HK\$'000	Contractual interest rate (%)	Maturity	HK\$'000
<b>Current liabilities</b>						
Secured bank loans denominated in Hong Kong dollar	-	-	-	HIBOR plus a range of 1.2 to 1.75	2015 - 2021 or on demand	13,065
Secured short term loans denominated in Hong Kong dollar	1.05 to 1.06	2016	263,585	-	-	-
			<u>263,585</u>			<u>13,065</u>

The scheduled principal repayment dates of the Group with reference to the loan agreements and ignore the effect of any repayment on-demand clause are as follows:

	2015 HK\$'000	2014 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year	-	5,760
In the second year	-	1,990
In the third to fifth years, inclusive	-	3,748
Beyond five years	-	1,567
	-	<u>13,065</u>
Other borrowings repayable within one year	<u>263,585</u>	-
	<u>263,585</u>	<u>13,065</u>

The Group's bank loans are secured by:

- (i) At 31 December 2014, mortgages over the Group's certain investment properties situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK\$152,090,000; and
- (ii) At 31 December 2015, the Group's other loans with investment banks are secured by certain cash deposits and investments with an aggregate carrying value of approximately HK\$510,234,000 (2014: HK\$384,407,000), and revolving on a weekly basis.

In addition, the Company has guaranteed certain of the Group's bank loans up to HK\$198,510,000 as at 31 December 2014.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 24. DEFERRED TAX LIABILITIES

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

	<b>Depreciation allowance in excess of related depreciation HK\$'000</b>
At 1 January 2014	666
Deferred tax charged to the statement of profit or loss and other comprehensive income during the year ( <i>Note 10</i> )	424
At 31 December 2014 and 1 January 2015	<b>1,090</b>
Deferred tax charged to the statement of profit or loss and other comprehensive income during the year ( <i>Note 10</i> )	252
At 31 December 2015	<b><u>1,342</u></b>

The Group has tax losses arising in Hong Kong of approximately HK\$124,249,000 (2014: HK\$125,235,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

### 25. SHARE CAPITAL

#### Shares

	<b>2015 HK\$'000</b>	2014 HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	<b><u>200,000</u></b>	<u>200,000</u>
Issued and fully paid:		
2,700,000,000 ordinary shares of HK\$0.01 each	<b><u>27,000</u></b>	<u>27,000</u>

#### Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 26 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 26. SHARE OPTION SCHEME

The Group's share option scheme (the "2013 Scheme") was adopted pursuant to a resolution passed on 30 May 2013 for the primary purpose of providing incentives to eligible participants. As the previous share option scheme adopted on 27 June 2003 (the "2003 Scheme") would expire on 27 June 2013, during the year ended 31 December 2013. The 2003 scheme was terminated and the 2013 Scheme was adopted by the Company on 30 May 2013. Similar to the 2003 Scheme, the primary purpose of the 2013 Scheme is to provide incentives to eligible participants.

#### The 2013 Scheme

The Company operates the 2013 Scheme for the purpose of, among others, is to recognise and motivate the contribution of eligible participants to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. Eligible participants of the 2013 Scheme include any (full-time or part-time) employee, including, without limitation, any executive and non-executive director or proposed executive and non-executive director of the Group, and any adviser, consultant, agent, contractor, client, customer or supplier or any member of the Group. The 2013 Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from 30 May 2013.

The total number of securities available for issue under the 2013 Scheme is 180,000,000, which is equivalent to 10% of the issued share capital of the Company at the date of adoption of the 2013 Scheme. The maximum number of shares issuable under share options to each eligible participant in the 2013 Scheme within any 12-month period, is limited to 1% of the shares of the Company for the time being in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 5 business days from the date of the offer upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the 2013 Scheme, if earlier.

The exercise price of the share options is determined by the board of directors, but may be not less than the higher of (i) the nominal value of the shares; (ii) the Hong Kong Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options under the 2013 Scheme have been granted, exercised, lapsed or cancelled since the establishment of the 2013 Scheme.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 25 of the financial statements.

### 28. CORPORATE GUARANTEES

At 31 December 2015, the Company has given corporate guarantees in favour of banks for banking facilities granted to its subsidiaries and fellow subsidiaries to the extent of approximately HK\$163,562,000 (2014: HK\$198,510,000), of which approximately HK\$163,562,000 (2014: HK\$176,627,000) was utilised.

In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business of the Group and the fair values of the corporate guarantees granted by the Company are immaterial.

### 29. OPERATING LEASE ARRANGEMENTS

#### As lessor

The Group leases its investment properties (Note 15 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally require the tenants to pay security deposits.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	2,386	3,880
In the second to fifth years, inclusive	123	2,019
	<u>2,509</u>	<u>5,899</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 30. OTHER COMMITMENTS

At 31 December 2015, the Group carried outstanding equity forward accumulator contracts which entailed a total commitment for purchase of equity shares of notional amount of approximately HK\$185,175,000 (2014: Nil) as disclosed in Notes 22 and 34 to the financial statements.

### 31. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Short term employee benefits	<b>2,970</b>	2,800
Post-employment benefits	<b>18</b>	17
	<hr/>	<hr/>
Total compensation paid to key management personnel	<b><u>2,988</u></b>	<b><u>2,817</u></b>

Further details of directors' and chief executive's emoluments are included in Note 8 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 32. FINANCIAL INSTRUMENTS BY CATEGORY

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

2015

#### Financial assets

	Financial assets at fair value through profit or loss – held for trading <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Available-for-sale investments	–	–	38,960	38,960
Financial assets included in deposits and other receivables	–	164	–	164
Equity investments at fair value through profit or loss	511,110	–	–	511,110
Pledged deposits	–	65	–	65
Cash and cash equivalents	–	158,204	–	158,204
	<u>511,110</u>	<u>158,433</u>	<u>38,960</u>	<u>708,503</u>

#### Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading <i>HK\$'000</i>	Financial liabilities at amortised cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial liabilities included in other payables and accruals	–	3,920	3,920
Derivative financial instruments	26,308	–	26,308
Interest-bearing bank and other borrowings	–	263,585	263,585
	<u>26,308</u>	<u>267,505</u>	<u>293,813</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2014

Financial assets

	Financial assets at fair value through profit or loss – held for trading <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Available-for-sale investments	–	–	134,105	134,105
Financial assets included in deposits and other receivables	–	184	–	184
Equity investments at fair value through profit or loss	274,415	–	–	274,415
Pledged deposits	–	18,275	–	18,275
Cash and cash equivalents	–	55,476	–	55,476
	<u>274,415</u>	<u>73,935</u>	<u>134,105</u>	<u>482,455</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in other payables and accruals	3,825
Interest-bearing bank and other borrowings	<u>13,065</u>
	<u>16,890</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, pledged deposits, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings are not materially different from their carrying amounts because of the immediate or the short term maturities of these instruments.

As detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values:

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	2015 HK\$'000	2014 HK\$'000		
<b>Assets</b>				
Equity investments at fair value through profit or loss	511,110	274,415	Level 1	Quoted bid prices in an active market.
Avaliable-for-sale investments:				
Debt investments	Nil	95,145	Level 1	Quoted bid prices in an active market.
<b>Liabilities</b>				
Derivative financial instruments	26,308	Nil	Level 2	Monte Carlo simulation. This technique is to estimate a probable outcome using certain parameters such as volatility of underlying securities.

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

	Fair value measurement using			Total HK\$'000
	Quoted price in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<b>As at 31 December 2015</b>				
Equity investments at fair value through profit or loss	<u>511,110</u>	<u>–</u>	<u>–</u>	<u>511,110</u>
<b>As at 31 December 2014</b>				
Available-for-sale investments:				
Debt investments	95,145	–	–	95,145
Equity investments at fair value through profit or loss	<u>274,415</u>	<u>–</u>	<u>–</u>	<u>274,415</u>
	<u>369,560</u>	<u>–</u>	<u>–</u>	<u>369,560</u>

*Liabilities measured at fair value:*

	Fair value measurement using			Total HK\$'000
	Quoted price in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<b>As at 31 December 2015</b>				
Derivative financial instruments	<u>–</u>	<u>26,308</u>	<u>–</u>	<u>26,308</u>

The Group did not have any financial liabilities measured at fair value at 31 December 2014.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, available-for-sale investments, equity investments at fair value through profit or loss, and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

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

#### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings with floating interest rates.

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the Group does not expect to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax <i>HK\$'000</i>	Increase/ (decrease) in equity* <i>HK\$'000</i>
<b>2015</b>			
Hong Kong dollar	50	(7)	–
Hong Kong dollar	(50)	7	–
<b>2014</b>			
Hong Kong dollar	50	(2)	–
United States dollar	50	(1)	–
Hong Kong dollar	(50)	2	–
United States dollar	(50)	1	–

\* Excluding retained profits

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### Foreign currency risk

The Group's exposure to market risk for change in foreign currency exchange rates relates primarily to certain investments and certain cash and cash equivalents in currencies other than the functional currency of Hong Kong dollar.

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

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
<b>2015</b>			
If Hong Kong dollar weakens against United States dollar	(5)	803	–
If Hong Kong dollar strengthens against United States dollar	5	(803)	–
If Hong Kong dollar weakens against Japanese Yen	(5)	381	–
If Hong Kong dollar strengthens against Japanese Yen	5	(381)	–
<b>2014</b>			
If Hong Kong dollar weakens against United States dollar	(5)	1,666	4,757
If Hong Kong dollar strengthens against United States dollar	5	(1,666)	(4,757)
If Hong Kong dollar weakens against Japanese Yen	(5)	383	–
If Hong Kong dollar strengthens against Japanese Yen	5	(383)	–

\* *Excluding retained profits*

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Credit risk

The Group provides services only to recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise pledged deposits, cash and cash equivalents, available-for-sale investments, equity investments at fair value through profit or loss, and other receivables arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk are managed by customer/counterparty and by different industry sectors. There are no significant credit risk as the tenants have paid security deposits as collateral to the Group for the lease of properties.

#### Liquidity risk

In the management of its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. The management monitors the utilisation of interest-bearing bank and other borrowings and ensures compliance with relevant covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	2015				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	263,611	–	–	–	263,611
Other payables and accruals	3,920	–	–	–	3,920
	<u>267,531</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>267,531</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Liquidity risk (continued)

	2014				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	13,520	–	–	–	13,520
Other payables and accruals	3,825	–	–	–	3,825
	<u>17,345</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>17,345</u>

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual cash outflows from derivative financial instruments.

	2015			Total HK\$'000
	Less than 1 month HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	
Equity forward accumulator contracts	<u>40,252</u>	<u>75,324</u>	<u>69,599</u>	<u>185,175</u>

The Group did not have any derivative financial instruments at 31 December 2014.

Each of the loan agreements contains a repayment on-demand clause giving the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clauses, the directors do not believe that the loans will be called, in their entirety or in part, within 12 months and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering the financial position of the Group at the date of approval of these financial statements, the Group's compliance with the loan covenants, the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans of the Group, the contractual undiscounted payment of interest-bearing bank and other loans at the end of the reporting period will be as follows:

	2015				Total HK\$'000
	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	<u>263,611</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>263,611</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Liquidity risk (continued)

	2014				Total HK\$'000
	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	<u>1,485</u>	<u>4,452</u>	<u>5,999</u>	<u>1,584</u>	<u>13,520</u>

#### Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed equity securities classified as equity investments at fair value through profit or loss (Note 19) as at 31 December 2015. The Group's listed investments are mainly listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2015	High/low 2015	31 December 2014	High/low 2014
Hong Kong – Hang Seng Index	21,914	28,442/ 20,556	23,605	25,318/ 21,182

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss and other comprehensive income.

	Carrying amount of equity investments HK\$'000	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
<b>2015</b>			
Investments listed in Hong Kong and overseas – Held for trading	511,110	51,111/ (51,111)	– –
<b>2014</b>			
Investments listed in Hong Kong and overseas – Held for trading	274,415	27,441/ (27,441)	– –

\* Excluding retained profits

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a debt-to-equity ratio, which is interest-bearing bank and other borrowings divided by the shareholders' equity. The debt-to-equity ratios at the end of the reporting periods were as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest-bearing bank and other borrowings	<u><u>263,585</u></u>	<u><u>13,065</u></u>
Equity attributable to owners of the Company	<u><u>706,300</u></u>	<u><u>742,500</u></u>
Gearing ratio	<u><u>37.32%</u></u>	<u><u>1.76%</u></u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	47,900	47,900
Club debenture	670	670
	48,570	48,570
<b>TOTAL non-current assets</b>	<b>48,570</b>	<b>48,570</b>
<b>CURRENT ASSETS</b>		
Amounts due from subsidiaries	212,267	212,284
Prepayments and other receivables	450	450
Equity investments at fair value through profit or loss	495	175
Cash and cash equivalents	47	19
	213,259	212,928
<b>TOTAL current assets</b>	<b>213,259</b>	<b>212,928</b>
<b>TOTAL ASSETS</b>	<b>261,829</b>	<b>261,498</b>
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	81	81
	81	81
<b>NET CURRENT ASSETS</b>	<b>213,178</b>	<b>212,847</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>261,748</b>	<b>261,417</b>
<b>EQUITY</b>		
Issued capital	27,000	27,000
Reserves ( <i>Note</i> )	234,748	234,417
	261,748	261,417
<b>Total equity</b>	<b>261,748</b>	<b>261,417</b>

Lau Chi Yung, Kenneth  
*Chairman*

Lau Michael Kei Chi  
*Vice-Chairman*

## NOTES TO FINANCIAL STATEMENTS

31 December 2015

### 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	498,761	546	88,380	(353,098)	234,589
Total comprehensive expense for the year	—	—	—	(172)	(172)
At 31 December 2014 and 1 January 2015	498,761	546	88,380	(353,270)	234,417
Total comprehensive income for the year	—	—	—	331	331
<b>At 31 December 2015</b>	<b><u>498,761</u></b>	<b><u>546</u></b>	<b><u>88,380</u></b>	<b><u>(352,939)</u></b>	<b><u>234,748</u></b>

The Company's contributed surplus represents the difference arising between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the value of the net assets of the subsidiaries acquired at the time of the Group's reorganisation in prior years. Under the Companies Act of Bermuda, the contributed surplus is distributable to shareholders in certain circumstances prescribed by Section 54 thereof.

### 36. APPROVAL OF THE FINANCIAL STATEMENTS

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company is pleased to present its first annual Environmental, Social and Governance Report (“ESG Report”) to demonstrate its commitment to sustainable development. This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (“the Guide”) of Hong Kong Stock Exchange, which covers two subject areas, Environmental and Social.

The Guide encourages an issuer to identify and disclose ESG information that is material and relevant to an issuer’s business. During the self-assessment of the Company’s business, the management has decided that out of the 11 ESG aspects suggested by the Guide, the below 6 ESG aspects are material to the Company:

<b>Main ESG subject area in the Guide</b>	<b>ESG aspects</b>
Environmental	A1. Emissions A2. Use of resources
Social	B3. Development and training B6. Product responsibility B7. Anti-corruption B8. Community investment

The reporting period of this ESG Report is from 1 January 2015 to 31 December 2015. Unless otherwise specified, the reporting boundary of this ESG Report is the same as this Annual Report.

### **A. ENVIRONMENTAL**

#### *Emissions and Use of Resources*

The Company’s operation is mainly office-based and the Company is committed to minimising the impact of businesses on the environment through adopting eco-friendly measures at the office. For example, staff is encouraged to reduce paper consumption by double-sided printing and reusing papers printed on one side.

In terms of energy saving measures, there are a number of good practices at office as follows:

- Staff is reminded to switch off lights and air-conditioning in the meeting room and the computer at the workstation when it is not in use;
- The room temperature is maintained at 25 degrees Celsius in summer to save energy; and
- Conference calls instead of face-to-face meetings are arranged where possible.

The Company is dedicated to sustain implementation of the measures above, while it will explore other eco-friendly initiatives.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### B. SOCIAL

#### 1. Employment and Labour Practices

##### *Development and Training*

The Company supports its staff to develop and enhance their professional knowledge and skills to cope with the evolving market environment and compliance level. On top of on-the-job training, the staff is encouraged to take external professional training to strengthen their work-related expertise.

#### 2. Operating Practices

##### *Product Responsibility*

The Company puts high priority in maintaining business integrity and corporate governance standards to promote the long-term best interests to all its shareholders and stakeholders. The detailed corporate governance practices and internal control procedures regarding product responsibility are listed in the “Corporate Governance Report” section of this Annual Report.

##### *Anti-corruption*

The Company upholds high standards on promoting anti-corruption, with all its employees and directors are required to maintain a high level of business ethics. The Audit Committee has the overall responsibility for matters related to the internal controls of anti-corruption.

During the reporting period, the Company had no legal cases regarding corrupt practices brought against the Company or its employees.

#### 3. Community

The Company is fully aware of the importance of interacting with the wider community in fulfilling corporate social responsibility. In this aspect, the Company would explore the possibility to identify suitable partners and support community and environmental programmes that align with the Company’s missions and values.

The Company believes the best way to serve the community is to drive positive impact through our investment portfolio. To create shared values with the community and stakeholders, the Company will continue to consider ESG factors in selecting future investment projects.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### C. HONG KONG STOCK EXCHANGE ESG GUIDE REFERENCE

Hong Kong Stock Exchange ESG Subject Areas	ESG Aspects	Disclosure Reference	
A. Environmental	A1. Emissions	Refer to the “Environmental” section of this ESG Report.	
	A2. Use of resources	Refer to the “Environmental” section of this ESG Report.	
	A3. The environment and natural resources	The office-based nature of the Company’s operations are not considered to have significant impact on environment and natural resources.	
B. Social	Employment and labour practices	B1. Employment	All matters related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare complied with the Employment Ordinance by the Labour Department.
		B2. Health and safety	The office-based operation of the Company is not considered to have significant occupational hazards. The Company has complied with all the major relevant laws and regulations such as Occupational Safety And Health Ordinance by the Labour Department.
		B3. Development and training	Refer to “Social” section of this ESG Report.
		B4. Labour standards	Child labour and forced labour are prohibited in the Company.
	Operating practices	B5. Supply chain management	The office-based operation of the Company is not considered to have a significant environmental and social risks of the supply chain.
		B6. Product responsibility	Refer to the “Social” section of this ESG Report.
		B7. Anti-corruption	Refer to the “Social” section of this ESG Report.
Community	B8. Community investment	Refer to “Social” section of this ESG Report.	

## PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
<b>Hong Kong</b>						
1	Flat E, 18th Floor, Block H-9, Fu Yip Yuen, Chi Fu Fa Yuen, No. 9 Chi Fu Road, Hong Kong	Residential	100%	518	518	75 years from 19 October 1976 renewable for a further term of 75 years
2	Flat H, 18th Floor, Block H-14, Fu Chun Yuen, Chi Fu Fa Yuen, No. 14 Chi Fu Road, Hong Kong	Residential	100%	518	518	75 years from 19 October 1976 renewable for a further term of 75 years
3	Flat H, 21st Floor, Block H-12, Fu Yar Yuen, Chi Fu Fa Yuen, No. 12 Chi Fu Road, Hong Kong	Residential	100%	518	518	75 years from 19 October 1976 renewable for a further term of 75 years
4	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 19th Floor, Pacific Link Tower, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Commercial	100%	11,439	11,439	A term from 17 December 1991 to 30 June 2047
5	Car Parking Space (Private Carpark) No. P101 on 1st Floor and Nos. P201 and P202 on 2nd Floor, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Car Park	100%	N/A	N/A	A term from 17 December 1991 to 30 June 2047
6	Flat A (Including the Balcony thereof), on the 12th Floor, Tower 8, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential	100%	1,317	1,317	A term from 25 January 1995 to 30 June 2047
7	Units B1 and B2 on 2nd Floor, Blue Box Factory Building, No. 25 (Formerly No. 15) Hing Wo Street, Hong Kong	Industrial	100%	9,080	9,080	75 years from 23 March 1970 renewable for a further term of 75 years
<b>The PRC</b>						
8	Unit No.7-10-I on Level 10 of Block No. 7, No. 68 Xinzhong Street, Dongcheng District, Beijing, The PRC	Residential	100%	1,132	1,132	Up to 1 November 2063

Note:

N/A – Not Applicable