



# GREAT CHINA HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability) Stock Code : 141

Annual Report **2015**

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# Corporate Information

## Board of Directors

### Executive Directors

Mr. Rustom Ming Yu HO (*Chairman*)  
Mr. John Ming Tak HO (*Managing Director*)  
Mr. Patrick Kwok Wai POON  
Mr. Maung Tun MYINT

### Non-executive Director

Ms. Yu Gia HO

### Independent Non-executive Directors

Mr. Lawrence Kam Kee YU *BBS MBE JP*  
Mr. David Hon To YU  
Mr. Hsu Chou WU

## Company Secretary

Ms. Wing Yan HO

## Auditor

BDO Limited  
*Certified Public Accountants*

## Share Registrar

Union Registrars Limited  
Suites 3301–04, 33/F  
Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

## Registered Office

Unit D, 26/F, United Centre  
No. 95 Queensway  
Hong Kong

## Audit Committee

Mr. David Hon To YU (*Chairman*)  
Mr. Lawrence Kam Kee YU *BBS MBE JP*  
Mr. Hsu Chou WU

## Nomination Committee

Mr. Lawrence Kam Kee YU *BBS MBE JP* (*Chairman*)  
Mr. John Ming Tak HO  
Mr. Rustom Ming Yu HO  
Mr. David Hon To YU  
Mr. Hsu Chou WU

## Remuneration Committee

Mr. Lawrence Kam Kee YU *BBS MBE JP* (*Chairman*)  
Mr. John Ming Tak HO  
Mr. David Hon To YU

## Stock Code

141 (Main Board of The Stock Exchange of Hong Kong Limited)

## Website

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

## Contact

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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the shareholders of Great China Holdings Limited will be held at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on 25 May 2016 at 10:30 am. A circular containing details of the matters proposed to be dealt with in the aforesaid Annual General Meeting together with other relevant information is sent with this Annual Report to all registered shareholders of the Company.

By order of the Board

**Wing Yan HO**

*Company Secretary*

Hong Kong, 22 March 2016

# Statement from the Managing Director

## Statement from the Managing Director

I am pleased to present, on behalf of the board of directors (the “Board”), the annual report of Great China Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2015.

### Group Review

The Group recorded a total revenue of HK\$1,192 million (2014: HK\$1,336 million), which was 11% lower than that of the previous financial year. The decrease was mainly caused by the decline in revenue generated from general trading segment.

For the year ended 31 December 2015, profit attributable to owners of the Company was HK\$2 million as compared to HK\$173 million, representing a decrease of 99% compared to last year. The substantial decrease in the profit attributable to owners of the Company was mainly attributed to factors including (i) the decline in the gross profit by HK\$48 million; (ii) the decrease in other operating income of HK\$45 million, which is mainly attributable to the absence of an one-off income from reversal of provision for direct expenses and tax which was recorded in the year ended 31 December 2014; and (iii) the decrease in fair value of investment properties of HK\$16 million for the year ended 31 December 2015 compared to the increase in fair value of investment properties of HK\$61 million as recorded for the year ended 31 December 2014.

### Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: HK\$0.12 per ordinary share).

On 20 January 2016, the directors have proposed a special dividend of not less than HK\$1.147 per share before the completion of the disposal of the entire issued share capital of Datong Global Holdings Limited and Xingao Limited and their subsidiaries to Fulcrest Limited, totalling not less than HK\$300 million, and conditional on the completion of the disposal, another special dividend of not less than HK\$2.293 per share, totalling not less than HK\$600 million. These special dividends are subject to approval by independent shareholders at an extraordinary general meeting. Details of the disposal and the special dividends, together with other relevant information, are set out in the Company’s announcement dated 4 February 2016.

### Business Review

#### General Trading

For the year ended 31 December 2015, the revenue of general trading segment decreased to HK\$1,154 million (2014: HK\$1,296 million). The decrease in trading revenue was mainly due to the limited supply of fishmeal during the first half of 2015.

The unstable supply of fishmeal in Peru from the closure of Season B (November 2014 to January 2015) to the assigned quota of 2.58 million MT of Season A (April 2015 to July 2015) created an extremely volatile market throughout the whole year of 2015. During the second half of 2015, despite relief of the tight supply, the average fishmeal prices still maintained at a high level; consequently, buyers started looking for substitutions. As a result, the overall fishmeal consumption in the second half of 2015 was lower than anticipated.

Due to the volatile market condition and poor consumption of fishmeal throughout the year, our trading profit was significantly affected. For the year ended 31 December 2015, a loss of HK\$12 million was incurred, compared to a profit of HK\$46 million last year.

### Property Investment in Hong Kong

For the year ended 31 December 2015, the rental income in Hong Kong was HK\$18 million (2014: HK\$18 million), which maintained at the same level as last year.

The investment properties were valued by an independent professional valuer and recorded a fair value loss on investment properties of HK\$44 million for 2015 (2014: fair value gain on investment properties of HK\$17 million). As a result of this fair value loss, the Group has turned from a profit in last year to a loss of HK\$29 million for the year ended 31 December 2015.

### Property Investment in Mainland China

For the year ended 31 December 2015, rental income in the PRC was HK\$20 million (2014: HK\$22 million). This decrease of 9% was primarily caused by the termination of the lease agreement of the western portion of Level 2 of Merry Tower on 30 June 2015. The Company entered into a new lease agreement, commencing December 2015 and ending September 2024.

The investment properties were valued by an independent professional valuer and recorded fair value gain on investment properties of HK\$28 million for 2015 (2014: HK\$44 million). The fair value gain and net rental income together have made a contribution of HK\$36 million to the Group's profit for the year ended 31 December 2015.

## PROSPECTS

### General Trading

The date of the fishing ban release and anchovy fishing quota for Season A 2016 in Peru are still undetermined, which will have a significant impact on our fishmeal trading business. Accordingly, we will apply a conservative marketing strategy for the balance of the year. Upon completion of the disposal, the Group shall cease to conduct its general trading business.

### Property Investment

Due to various market uncertainties including but not limited to a decrease in tourism from China, adverse exchange fluctuation in Renminbi and interest-rate increases as announced by the US Federal Reserve, the property prices in Hong Kong are under pressure. The Group will continue to review market conditions closely and adopt appropriate leasing strategies. Upon completion of the disposal, the Group shall cease to conduct its property investment business in Hong Kong.

The Group's PRC investment properties are mainly located in Shanghai. It is anticipated that the PRC investment property prices and the rental income will be stable.

## Appreciation

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

**John Ming Tak HO**

*Managing Director*

Hong Kong, 22 March 2016

# Management Discussion and Analysis

## Business Review

The details of business review are set out in the Statement from the Managing Director.

## Financial Review

### Liquidity and Financial Resources

As at 31 December 2015, the Group's gearing ratio was 5% (2014: 6%), based on the Group's long term bank borrowings of HK\$96 million (2014: HK\$114 million) and total assets of HK\$1,810 million (2014: HK\$1,979 million). The Group's current ratio was 6.61 (2014: 4.50), calculated on the basis of current assets of HK\$707 million (2014: HK\$896 million) over current liabilities of HK\$107 million (2014: HK\$199 million).

As at 31 December 2015, total restricted bank deposits, structured bank deposits, bank balances and cash on hand were HK\$256 million (2014: HK\$498 million). Total bank borrowings of the Group amounted to HK\$114 million (2014: HK\$192 million), and there was no bank borrowings secured by bank deposit (2014: nil). The maturity profile of the Group's total bank borrowings falling due within one year was 16% (2014: 41%) and more than one year was 84% (2014: 59%). The Group's borrowings were denominated in United States dollars and Hong Kong dollars.

### Capital Commitment

As at 31 December 2015, the Group had a total capital commitment of approximately HK\$462,000 (2014: nil) for the acquisition of property, plant and equipment.

### Charges on Assets

As at 31 December 2015, the Group has available but not yet utilised banking facilities amounting to around HK\$1,210 million (2014: HK\$1,264 million). The Group has pledged the following assets and assigned rental income from letting of properties in favour of banks to secure the aforesaid facilities:

- Investment properties of HK\$799 million (2014: HK\$845 million);
- Leasehold land and buildings of HK\$41 million (2014: HK\$41 million).

### Foreign Exchange Exposure

Transactions of the Group are predominantly denominated in United States dollars, Hong Kong dollars and Renminbi. Review of the Group's exposure to foreign exchange risks is conducted periodically and derivative financial instruments may be used to hedge against foreign exchange risks as and when necessary.

### Significant Investments

During the year ended 31 December 2015, the Group did not have any significant investments.

### Material Acquisitions or Disposals of Subsidiaries and Associated Companies

There were no material acquisitions or disposals of subsidiaries and no significant investment held during the year ended 31 December 2015.

### Employee and Remuneration Policies

As at 31 December 2015, the total number of employees of the Group was 85 (2014: 84) with staff costs, excluding directors' remuneration, amounting to HK\$17,268,000 (2014: HK\$16,659,000). Remuneration policies are reviewed annually by the management. Remuneration packages are structured to take into account comparable levels in the market.

### Contingent Liability

The Group had no material contingent liabilities as at 31 December 2015 (2014: nil).



## Biographical Details of Directors

**Mr. Rustom Ming Yu HO**, aged 64, is the Chairman and an executive director of the Company. He is also a member of the Nomination Committee and a director of various subsidiaries of the Company. Mr. Rustom HO joined the Group in January 1992. He has held senior management positions in the textiles industry for over 37 years. In addition, Mr. Rustom HO is the chairman of Kwong Fong Industries Corporation (a company listed on Taiwan Stock Exchange Corporation, stock code: 1416) and a director of Fulcrest Limited (both companies are/are deemed to be the controlling shareholders of the Company) and is the elder brother of Mr. John Ming Tak HO (executive director of the Company) and the father of Ms. Yu Gia HO (non-executive director of the Company).

**Mr. John Ming Tak HO**, aged 62, is the Managing Director and an executive director of the Company. He is a member of the Remuneration Committee and the Nomination Committee and a director of various subsidiaries of the Company. Mr. John HO joined the Group in November 1991. He has over 37 years of experience in commodities trading and dealing in securities. Mr. John HO is a director of Fulcrest Limited and Asian Pacific Investment Corporation (both companies are/are deemed to be the controlling shareholders of the Company). In addition, he is the younger brother of Mr. Rustom Ming Yu HO (executive director of the Company) and the uncle of Ms. Yu Gia HO (non-executive director of the Company).

**Mr. Patrick Kwok Wai POON**, aged 65, has been an executive director of the Company since 20 April 2006. Mr. POON joined the Group in 1997 and has since then been working at a senior level of the Group's management team. He is also a director of certain subsidiaries of the Company. In addition, he is a director of Fulcrest Limited, a controlling shareholder of the Company. Mr. POON has extensive experience in the commodity market and in the banking business and holds a practising licence in property management in the People's Republic of China. He has been overseeing the Group's Shanghai office and monitoring the Group's property business in the People's Republic of China for over 17 years.

**Mr. Maung Tun MYINT (also known as Nelson CHENG)**, aged 50, has been an executive director of the Company since 1 April 2009. He is also a director of various subsidiaries of the Company. In addition, Mr. MYINT is a chief executive officer of the Company's major subsidiaries, such as G.C. Luckmate Trading Limited and G.C. Luckmate Trading (Asia) Limited which are engaged in fishmeal trading business. Mr. MYINT joined the Group in 2000 and has over 20 years of experience in commodities trading. He holds a Bachelor of Engineering degree in Electronics from San José State University in the United States of America and a Master's degree in Computer Science from Asian Institute of Technology in Thailand.

**Ms. Yu Gia HO**, aged 44, has been a non-executive director of the Company since 1 April 2008. She holds a Bachelor of Science degree in Marketing and Advertising from Boston College and a Master of Business Administration degree in Managing Technology and Innovation from Santa Clara University. In the past, Ms. HO has served as key business development roles at several publicly listed companies and was an International Marketing Manager of Kwong Fong Industries Corporation, a controlling shareholder of the Company. In addition, Ms. HO is a daughter of Mr. Rustom Ming Yu HO (executive director of the Company) and a niece of Mr. John Ming Tak HO (executive director of the Company).

**Mr. Lawrence Kam Kee YU**, *BBS, MBE, JP*, aged 70, has been an independent non-executive director of the Company since November 1994. He is also the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee of the Company. Mr. Lawrence YU underwent training at Bayer AG and Cassella AG in Germany and has accumulated many years of senior management experience. Mr. Lawrence YU is the honorary life president of the Hong Kong Dyestuffs Merchants Association Limited. He also serves on many charitable and social organisations, and is currently the co-chairman of the Campaign Committee of The Community Chest of Hong Kong, the honorary vice president of the Hong Kong Football Association Limited, the president of Hong Kong Automobile Association and the chairman of the Hong Kong Liver Foundation. Mr. Lawrence YU resigned as an independent non-executive director of CMMB Vision Holdings Limited (stock code: 471) on 1 June 2011 and Evergrande Real Estate Group Limited (stock code: 3333) on 23 June 2012.

**Mr David Hon To YU**, aged 67, has been an independent non-executive director of the Company since 7 January 1999. He is also the chairman of the audit committee, and a member of both the nomination committee and the remuneration committee of the Company. Mr David YU is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He was formerly a partner of an international accounting firm with extensive experience in corporate finance. Currently, he is also an independent non-executive director of the following companies listed on the Main Board of The Stock Exchange of Hong Kong Limited: Haier Electronics Group Company Limited (stock code: 1169), China Renewable Energy Investment Limited (stock code: 987), Media Chinese International Limited (stock code: 685) (which is also listed in Malaysia, Malaysia stock code: 5090), One Media Group Limited (stock code: 426), Playmates Holdings Limited (stock code: 635), Bracell Limited (stock code: 1768), Synergis Holdings Limited (stock code: 2340), China Resources Gas Group Limited (stock code: 1193), Keck Seng Investments (Hong Kong) Limited (stock code: 184), and New Century Asset Management Limited (as manager of New Century Real Estate Investment Trust) (stock code: 1275). Mr. David Yu resigned as an independent non-executive director of China Datang Corporation Renewable Power Co., Limited (stock code: 1798), TeleEye Holdings Limited (stock code: 8051) and Crown International Corporation Limited (formerly known as VXL Capital Limited) (stock code: 727) on 20 August 2013, 25 October 2013 and 27 May 2014 respectively.

**Mr. Hsu Chou WU**, aged 62, has been an independent non-executive director of the Company since September 2004. He is also a member of both the Audit Committee and the Nomination Committee of the Company. Mr. WU is a member of the Taipei Bar Association. He is currently the chairman of the Eurasia Law Office in Taipei. He is also a medical ethics and medical law lecturer in National Defense Medical Center, a committee member of the Medical Ethics Committee in Tri-Service General Hospital, a former committee member of the Law and Regulation Commission of the Ministry of the Interior in Taiwan, a legal consultant of the National Police Agency of the Ministry of the Interior in Taiwan and a consultant of the Civil Service Protection and Training Commission in Taiwan. Mr. WU is the author of the books "Handbook to Terminate Medical Dispute" and "Far Away From Medical Dispute".

# Corporate Governance Report

The Board and Management are committed to uphold a high standard of corporate governance with an aim to safeguard the interest of shareholders and the Company as a whole.

The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except for the following deviation from the code provision A.6.7 of the CG Code: One of the independent non-executive directors of the Company was unable to attend the Company’s annual general meeting held on 20 May 2015 due to his other business engagement.

Key corporate governance principles and practices of the Company are summarised below.

## Directors’ and Employees’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Confirmation has been sought from all directors of the Company that they have complied with required standards set out in the Model Code throughout the year ended 31 December 2015. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company. No incident of non-compliance of such guidelines by relevant employees was noted by the Company during the year under review.

## Directors

### The Board

The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Every director is charged with acting in the best interest of the Group and contributing to the Group with their expertise and knowledge. The Board decides on overall Group strategies and monitors the Group’s performance on behalf of the shareholders. During the year ended 31 December 2015, the Board held four regular meetings. Besides, the Company held one shareholders’ meeting in 2015. The attendance records of each director at the aforesaid Board meetings and shareholders’ meetings are set out as follows:

Name of director	Attendance/Number of meetings	
	Board meeting	Annual general meeting
Mr. Rustom Ming Yu HO	4/4	1/1
Mr. John Ming Tak HO	4/4	1/1
Mr. Patrick Kwok Wai POON	4/4	1/1
Mr. Maung Tun MYINT	4/4	1/1
Mr. Lawrence Kam Kee YU <i>BBS MBE JP</i>	4/4	0/1
Mr. David Hon To YU	4/4	1/1
Mr. Hsu Chou WU	4/4	1/1
Ms. Yu Gia HO	4/4	1/1

To provide an opportunity to directors to include matters for discussion in the agenda, at least 14 days' notice of a Board meeting is given to all directors. Every director is entitled to have access to the advice and services of the company secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. All minutes are kept by the company secretary and are open for inspection by directors with reasonable advance notice. Minutes of Board meetings and meetings of Board Committees record in sufficient detail of the matters considered by the Board/Board Committees and decisions reached. Draft and final versions of minutes of Board/Board Committee meetings are sent to directors/Board Committee members for their comments and records respectively within a reasonable time after the meetings are held.

Directors have been advised that the company secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any director. If a substantial shareholder or a director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board Committee will be set up to deal with the matter.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent. The independent non-executive directors are explicitly identified in all corporate communications of the Company.

According to the current Board practice, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The articles of association of the Company (the "Articles of Association") also stipulate that save for the exceptions as provided therein, a director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such director or any of his/her close associates have a material interest.

The senior management of the Company are the directors of the Company. Details of their remuneration for the year ended 31 December 2015 are set out in note 10 to the financial statements.

### **Chairman and Managing Director**

The positions of the Chairman and the Managing Director of the Company are currently held by separate individuals, with Mr. Rustom Ming Yu HO being the Chairman and Mr. John Ming Tak HO being the Managing Director. The Chairman is responsible for ensuring that the Board is functioning properly with good corporate governance practices and procedures. He also steers the Board and the Company towards corporate goals. The Managing Director is responsible for effective implementation of the overall strategies and initiatives adopted by the Board. With the support of the Managing Director and 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 on a timely basis.

## Corporate Governance Report

### Board composition

As at 31 December 2015, the Board consists of four executive directors, three independent non-executive directors and one non-executive director:

*Executive directors:*

Mr. Rustom Ming Yu HO (*Chairman*)  
Mr. John Ming Tak HO (*Managing Director*)  
Mr. Patrick Kwok Wai POON  
Mr. Maung Tun MYINT

*Non-executive director:*

Ms. Yu Gia HO

*Independent non-executive directors:*

Mr. Lawrence Kam Kee YU *BBS MBE JP*  
Mr. David Hon To YU  
Mr. Hsu Chou WU

The Board has met the requirements of Listing Rules 3.10 and 3.10A of having three independent non-executive directors (representing at least one-third of the Board) with one of them possessing appropriate accounting and related financial management expertise. The relationship among members of the Board, if any, is disclosed in "Biographical Details of Directors" of this annual report.

### Appointment and Re-election

All directors (including the non-executive director and independent non-executive directors) are appointed for a specific term of 3 years, subject to renewal upon expiry of the term.

In accordance with the Articles of Association, at each annual general meeting of the Company (the "AGM") 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 but not less than one-third) shall retire from office. The directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. The retiring directors shall be eligible for re-election by the shareholders at the relevant AGM.

The composition of the Board is reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The directors' profile is set out on pages 8 to 9.

### Responsibilities of Directors

The directors are continually updated with the regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities. Through regular Board meetings, all directors are kept abreast of the conduct, business activities and development of the Company. Each independent non-executive director attended all regularly scheduled meetings of the Board and Committees on which such independent non-executive director sat in, and reviewed the meeting materials distributed in advance for such meetings. Except for one of the independent non-executive directors of the Company was unable to attend the Company's annual general meeting due to his other business engagement, other directors attended the AGM in 2015 and answered questions raised by the shareholders.

## Supply of and Access to Information

In respect of regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting. The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Company's management to acquire more information than is volunteered by management and to make further enquiries if necessary.

## Directors' Induction and Continuous Professional Development

On appointment to the Board, each director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the directors and senior executives to enroll in professional development courses and seminars relating to the Listing Rules, Companies Ordinance and corporate governance practices organised by professional bodies, independent auditor and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills. From time to time, directors are provided with written training materials to develop and refresh their professional skills.

According to the records maintained by the Company, the current directors received the following training during the year ended 31 December 2015, with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on directors' continuous professional development:

Directors	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/ Financial/Management or Other Professional Skills	
	Read Materials	Attended Seminars/ Briefings	Read Materials	Attended Seminars/ Briefings
<b>Executive Directors</b>				
Mr. Rustom Ming Yu HO ( <i>Chairman</i> )	√	√	√	
Mr. John Ming Tak HO ( <i>Managing Director</i> )	√	√	√	
Mr. Patrick Kwok Wai POON	√	√	√	
Mr. Maung Tun MYINT	√	√	√	
<b>Non-executive Director</b>				
Ms. Yu Gia HO	√	√	√	
<b>Independent Non-executive Directors</b>				
Mr. Lawrence Kam Kee YU <i>BBS MBE JP</i>	√	√	√	
Mr. David Hon To YU	√	√	√	√
Mr. Hsu Chou WU	√	√	√	

## Corporate Governance Report

### Corporate Governance Functions

During the year under review, the Board as a whole has performed the following corporate governance duties including:

- (a) developed and reviewed the Company's policies and practices on corporate governance;
- (b) reviewed and monitored the training and continuous professional development of directors and senior executives;
- (c) reviewed and monitored the Company's policies and practices in compliance with legal and regulatory requirements;
- (d) developed, reviewed and monitored the code of conduct and compliance manual (if any) applicable to employees and directors;
- (e) reviewed the Company's compliance with the code and disclosure in the Corporate Governance Report; and
- (f) performed such other corporate governance duties and functions set out in Appendix 14 to the Listing Rules (as amended from time to time) for which the Board is responsible.

### Nomination Committee

A Nomination Committee was established by the Company in 2005. The Committee is chaired by Mr. Lawrence Kam Kee YU *BBS MBE JP* and Mr. Rustom Ming Yu HO, Mr. John Ming Tak HO, Mr. David Hon To YU and Mr. Hsu Chou WU are other members of the Committee. The major responsibilities of the Nomination Committee include reviewing and approving all new appointments of directors and senior executives of the Group, and monitoring the overall adequacy of the Board's composition. The terms of reference setting out in the Nomination Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, integrity, experience, skills, professional knowledge and the amount of time and effort that a candidate will devote to carry his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Nomination Committee adopted the board diversity policy on 26 August 2013. The Company recognises and embraces the benefits of having a diverse Board. Differences in the talents, skills, regional and industrial experience, background, gender and other qualities will be considered in determining the optimum composition of the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee holds a meeting annually to review the current directors and senior executives structure, and to monitor the overall adequacy of the Board's composition. Having considered the qualifications, expertise and experience of the directors, their commitment to the Company's affairs as well as the Company's present needs, the Committee is of the view that no change in the Board composition is required at present. The attendance of each member at the Nomination Committee meeting held in 2015 is set out as follows:

Name of member	Number of attendance
Mr. Lawrence Kam Kee YU <i>BBS MBE JP</i> (Chairman)	1/1
Mr. Rustom Ming Yu HO	1/1
Mr. John Ming Tak HO	1/1
Mr. David Hon To YU	1/1
Mr. Hsu Chou WU	1/1

## Remuneration Committee

A Remuneration Committee was established by the Company in 2005. The Committee is chaired by Mr. Lawrence Kam Kee YU *BBS MBE JP* and Mr. John Ming Tak HO and Mr. David Hon To YU are other members of the Committee. The majority members of Committee are independent non-executive directors. The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior executives (i.e. the model described in the code provision B.1.2(c)(ii) is adopted). The directors' emoluments are determined, among other things, by reference to their duties and responsibilities with the Company, their experience for the industry, prevailing market conditions and the Company's performance. During the year ended 31 December 2015, the Remuneration Committee held one meeting, with all Committee members present in the meeting and reviewed the remuneration of directors.

Name of member	Number of attendance
Mr. Lawrence Kam Kee YU <i>BBS MBE JP</i> (Chairman)	1/1
Mr. John Ming Tak HO	1/1
Mr. David Hon To YU	1/1

## Accountability and Audit

### Financial Reporting

The management provides such explanation and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval. The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. In preparing the financial statements for the year ended 31 December 2015, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable laws were complied with. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The Board has prepared the financial statements on a going concern basis. The reporting responsibilities of external auditor of the Company are disclosed in "Independent Auditor's Report" of this annual report.



### Audit Committee

The Audit Committee comprises three independent non-executive directors. The Committee is chaired by Mr. David Hon To YU who possesses recognised professional qualifications in accounting and extensive experience in audit and accounting. The Audit Committee is to oversee the Group's financial reporting system, risk management and internal control systems, to review and monitor the external auditor's independence and objectivity, and to review the adequacy of resources, qualification and experience of staff of the accounting, internal audit and financial reporting functions and their training programmes, and the effectiveness of the audit process in accordance with applicable standard. During the year ended 31 December 2015, the Audit Committee held two meetings with attendance records as follows:

Name of member	Number of attendance
Mr. David Hon To YU ( <i>Chairman</i> )	2/2
Mr. Lawrence Kam Kee YU <i>BBS MBE JP</i>	2/2
Mr. Hsu Chou WU	2/2

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended 31 December 2015 and the interim accounts for the six months ended 30 June 2015, respectively with senior executives and the Company's external auditor. The Audit Committee has also reviewed the Group's accounting principles and practices, Listing Rules and statutory compliance, the Risk Management and Internal Control Review report and financial reporting matters including the adequacy of resources, staff qualifications and experience, training programme and budget of the Company's accounting and financial reporting function.

### Remuneration to the External Auditor of the Company

An analysis of the remuneration of the Company's auditor, BDO Limited, for the year ended 31 December 2015 is set out as follows:

Services rendered	Fee paid/payable HK\$
Audit services	850,000
Non-audit services	400,000
	1,250,000

### Delegation by the Board

#### Management Functions

Executive directors are in charge of different business and functional divisions in accordance with their respective areas of expertise. The Board, led by the Chairman, is responsible for setting overall corporate strategies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. Supported by senior executives, the Managing Director is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

#### Board Committees

Audit Committee, Remuneration Committee and Nomination Committee have been established to oversee specific aspects of the Company's affairs. Each of these Committees has specific written terms of reference which deal clearly with their authorities and duties.

### Company Secretary

The Company has engaged in a service contract with an external service provider, Ms. Wing Yan HO (“Ms. HO”), who was appointed as the Company Secretary. Mr. John Ming Tak HO, executive Director and managing director of the Company, is the primary corporate contact person of the Company with Ms. HO.

Being the Company Secretary, Ms. HO plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Ms. HO is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of Directors.

Ms. HO is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. HO continues to study professional course of corporate governance and has extensive experience in the company secretarial field for listed companies. Ms. HO is also a holder of the Practitioner’s Endorsement issued by The Hong Kong Institute of Chartered Secretaries. According to Rule 3.29 of the Listing Rules, Ms. HO took more than 15 hours of relevant professional training for the year ended 31 December 2015.

### Corporate Social Responsibility

The Group is conscious of its role as a socially responsible group of companies. It has made donations for community wellbeing from time to time and encourages its employee to participate in charitable events.

### Communication with Shareholders

#### Shareholders’ Communication Policy

The Board adopted a Shareholders’ Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company discloses relevant information to shareholders through the Company’s annual report and financial statements, the interim report, as well as the AGM. The sections under “Statement from the Managing Director” and “Management Discussion and Analysis” of the annual report facilitate the shareholders’ understanding of the Company’s activities. The AGM provides a sound channel for shareholders to meet and communicate with the directors. The poll results of the AGM are published on the Stock Exchange’s website and the Company’s website. The Company’s financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations. To further promote effective communication, the corporate website is maintained to disseminate the Company’s announcements and other relevant financial and non-financial information electronically on a timely basis.

### Shareholders’ Rights

#### Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Articles of Association and the Companies Ordinance, the Board shall, on the requisition of the members of the Company holding at the date of the deposit of the requisition not less than one-twentieth of the paid-up capital of the Company as at the date of the deposit carrying the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting of the Company.

## Corporate Governance Report

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Company's registered office, and may consist of several documents in like form, each signed by one or more requisitionists.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

A meeting so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the directors as were in default.

### Procedures for Putting forward Proposals at a General Meeting

Pursuant to the Companies Ordinance, it shall be the duty of the Company, on the requisition in writing of member(s) holding at the date of requisition not less than one-fortieth of the total voting rights or of not less than 50 members holding shares in the Company on which there have been paid up an average sum, per member, of not less than HK\$2,000, and (unless the Company otherwise resolves) at the expense of the requisitionists:

- (a) to give to members of the Company entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- (b) to circulate to members entitled to have notice of any general meeting sent to them any 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 that meeting.

The requisition, signed by the requisitionists (or 2 or more copies which between them contain the signatures of all the requisitionists) should be deposited at the Company's registered office (in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and in the case of any other requisition, not less than one week before the meeting). In addition, there should be deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

### Procedures for Proposing a Person for Election as a Director

As regards the procedures for proposing a person for election as a director of the Company, please refer to the procedures made available under the "Corporate Governance" section of the Company's website at [www.greatchinaholdingsltd.com.hk](http://www.greatchinaholdingsltd.com.hk).

### 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 detail is set out in the "Contact" section of the Company's website at [www.greatchinaholdingsltd.com.hk](http://www.greatchinaholdingsltd.com.hk).

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

## Investor Relations

During the year under review, there were no significant change in the Company's constitutional documents.

## Risk Management and Internal Control

During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

# Directors' Report

The directors have pleasure in presenting to shareholders their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2015.

## Principal Activities

The Company is an investment holding company and its subsidiaries are principally engaged in trading of animal feed, property investment and trading of properties. The principal activities of its subsidiaries are set out in note 33 to the financial statements.

## Business Review

A fair review of the Group's business and its outlook are set out in the sections of Statement from the Managing Director and Management Discussion & Analysis. Certain financial key performance indicators are provided in the section of Financial Summary. Important event affecting the Group is provided under "Events after the Reporting Date".

The Group complies with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group.

The Group respects the environment and is committed to minimizing its carbon footprints as a socially responsible enterprise in Hong Kong. Carbon footprint is defined as the total amount of direct and indirect emissions of Green House Gases (GHGs) expressed in terms of the equivalent amount of Carbon Dioxide of (CO<sub>2</sub>) emission. Non-hazardous wastes produced from the Group mainly consist of used paper such as office papers and marketing materials. To minimise the impact of carbon footprints on the environment, the Group implements the following practices to use paper efficiently:

- Duplex printing is set as the default mode for most network printers;
- Employees are reminded to practise photocopying wisely;
- Employees are encouraged to use both sides of paper;
- Paper waste is recycled instead of being directly disposed of in landfills;
- Paper is separated from other waste for easier recycling; and
- Boxes and trays are placed beside photocopiers as containers to collect single-sided paper for reuse purpose.

Electricity consumption is identified as having an adverse impact on the environment and natural resources. A typical commercial building uses more energy for lighting than for other electric equipment. The Group is determined to reduce energy consumption and implement conservation practices to reduce the effect of carbon footprint. Air conditioning and light zone arrangements reduce unnecessary electricity usage; employees enforce good practices in maintenance of lighting and electric equipment to ensure they are kept in good and proper condition to maximise efficiency.

## Key Risk Factors

The following lists out the key risks and uncertainties facing the Group.

### Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

### Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realises that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

### Key Relationships with Employees, Customers and Suppliers

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyse on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

## Financial Statements and Appropriations

The financial performance of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 35.

## Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 39.

Movements in the reserves of the Company during the year are set out in note 27 to the financial statements.

### Investment Properties

Details of movements in the investment properties of the Group during the year are set out in note 14 to the financial statements.

### Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 15 to the financial statements.

### Principal Properties

Details of the principal properties of the Group at 31 December 2015 are set out on pages 109 and 110.

### Subsidiaries

Details of the Company's subsidiaries at 31 December 2015 are set out in note 33 to the financial statements.

### Share Capital

Details of the share capital of the Company during the year are set out in note 26 to the financial statements.

### Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 111.

### Distributable Reserves of the Company

At 31 December 2015, the Company's reserves available for distribution, calculated under Section 79B of the Hong Kong Companies Ordinance, consisted of retained profits of approximately HK\$746 million (2014: HK\$484 million).

### Purchase, Sale or Redemption of Listed Securities

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

### Equity-linked agreements

Save as disclosed in this annual report, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

## Directors

The directors of the Company during the year and up to the date of this report were:

### *Executive Directors*

Mr. Rustom Ming Yu HO (*Chairman*)  
Mr. John Ming Tak HO (*Managing Director*)  
Mr. Patrick Kwok Wai POON  
Mr. Maung Tun MYINT

### *Non-executive Director*

Ms. Yu Gia HO

### *Independent Non-executive Directors*

Mr. Lawrence Kam Kee YU *BBS MBE JP*  
Mr. David Hon To YU  
Mr. Hsu Chou WU

In accordance with Article 104(A) of the Articles of Association, Mr. Rustom Ming Yu Ho, Mr. Patrick Kwok Wai Poon and Mr. Maung Tun Myint will retire as directors of the Company by rotation at the forthcoming AGM. All of the above three retiring directors, being eligible, will offer themselves for re-election at the meeting.

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

## Directors' Service Contracts

Each of the directors is required to enter into a service contract with the Company for a term of three years, renewable upon re-election. Details of the directors remunerations for the year 2015 are set out in note 10 to the financial statements.

Save as disclosed above, no director proposed for re-election at the forthcoming AGM 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 Transactions, Arrangements or Contracts

Save as disclosed in this report, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

## Indemnity of Directors

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.



### Disclosure of Information on Director(s)

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of information on Director(s) for the year ended 31 December 2015 is as follows:

Mr. Rustom Ming Yu HO                      His length of service with the Company was renewed as from 17 May 2015 until the conclusion of the Company's annual general meeting occurring approximately three years from that date.  
(Executive Director)

### Directors of Subsidiaries

Up to the date of this report, the subsidiaries of the Company (the "Subsidiaries") and the particulars of the Subsidiaries are listed out as follows:

<b>Name of Subsidiary</b>	<b>Place/Country of incorporation/operations</b>	<b>Principal activities</b>	<b>List of directors</b>
Capital Head Investment Limited	Hong Kong	Property Investment in Shanghai, China	John Ming Tak HO Wai Bing LAM Erica Wai Ming LEE
Concord Trinity Development Limited	Hong Kong	Property Investment in Shanghai, China	John Ming Tak HO Wai Bing LAM Erica Wai Ming LEE
Glory South Investment Limited	Hong Kong	Property Investment	John Ming Tak HO Maung Tun MYINT Wai Bing LAM Erica Wai Ming LEE
Jelson Enterprises Limited	Hong Kong	Property Investment in Shanghai, China	John Ming Tak HO Wai Bing LAM Erica Wai Ming LEE
Poppins Properties Limited	British Virgin Islands	Investment Holding	John Ming Tak HO Maung Tun MYINT Cynthia Chee Yan HO Erica Wai Ming LEE
Datong Global Holdings Limited	British Virgin Islands	Investment Holding	John Ming Tak HO Cynthia Chee Yan HO Vivian Chee Suan HO Erica Wai Ming LEE
Morning Sky Holdings Limited	British Virgin Islands	Investment Holding	John Ming Tak HO Cynthia Chee Yan HO Erica Wai Ming LEE

<b>Name of Subsidiary</b>	<b>Place/Country of incorporation/operations</b>	<b>Principal activities</b>	<b>List of directors</b>
Halesite Limited	Hong Kong	Property Investment	John Ming Tak HO Maung Tun MYINT Wai Bing LAM Erica Wai Ming LEE
G C Nominees Limited	Hong Kong	Investment Holding	John Ming Tak HO Rustom Ming Yu HO Maung Tun MYINT Wai Bing LAM Erica Wai Ming LEE
Silver Regent Development Limited	Hong Kong	Property Investment	John Ming Tak HO Maung Tun MYINT Wai Bing LAM Erica Wai Ming LEE
Sunison Development Limited	Hong Kong	Investment Holding	John Ming Tak HO Rustom Ming Yu HO Wai Bing LAM Erica Wai Ming LEE
Honour Alliance Development Limited	Hong Kong	Property Investment	John Ming Tak HO Maung Tun MYINT Wai Bing LAM Erica Wai Ming LEE
Haode Property Management (Shanghai) Company Limited	PRC	Real Estate Agent in Shanghai, China	Kwok Wai POON John Ming Tak HO Kai Hong LAM
Xingao Limited	British Virgin Islands	Investment Holding	John Ming Tak HO Cynthia Chee Yan HO Vivian Chee Suan HO Erica Wai Ming LEE
Dajen Properties Limited	British Virgin Islands	Investment Holding	John Ming Tak HO Kwok Wai POON Maung Tun MYINT Cynthia Chee Yan HO Erica Wai Ming LEE

## Directors' Report

Name of Subsidiary	Place/Country of incorporation/operations	Principal activities	List of directors
Adamgate Limited	British Virgin Islands	Investment Holding	John Ming Tak HO Kwok Wai POON Maung Tun MYINT Cynthia Chee Yan HO Erica Wai Ming LEE
Tai Loy Trading Company Limited	Hong Kong	Investment Holding	John Ming Tak HO Rustom Ming Yu HO Kwok Wai POON Maung Tun MYINT Wai Bing LAM Erica Wai Ming LEE
Treasure Jubilee Limited	British Virgin Islands	Investment Holding	John Ming Tak HO Cynthia Chee Yan HO Wai Bing LAM Erica Wai Ming LEE
G.C. Luckmate Trading (China) Limited	Hong Kong	Animal Feed Trading	Maung Tun MYINT Wai Bing LAM Erica Wai Ming LEE
上海裕景貿易有限公司	PRC	Animal Feed Trading	Jun YAN Shi Hui ZHU
Shanghai Zenith Trading Co.,Ltd	PRC	Animal Feed Trading	Albert MA Kwok Wai POON Jun YAN
博平置業（上海）有限公司	PRC	Property Investment in Shanghai, China	Kai Hong LAM
Jasmine Ocean Limited	British Virgin Islands	Ship Chartering	Jun YAN Kwok Wai POON Wai Bing LAM Cynthia Chee Yan HO Erica Wai Ming LEE
Great China Commodities Limited	British Virgin Islands	Investment Holding	John Ming Tak HO Kwok Wai POON Maung Tun MYINT Cynthia Chee Yan HO Erica Wai Ming LEE

Name of Subsidiary	Place/Country of incorporation/operations	Principal activities	List of directors
G.C. Luckmate Trading Limited	Hong Kong	Animal Feed Trading	John Ming Tak HO Maung Tun MYINT Wai Bing LAM Erica Wai Ming LEE
G.C. Luckmate Trading (International) Limited	Hong Kong	Animal Feed Trading	John Ming Tak HO Maung Tun MYINT Wai Bing LAM Erica Wai Ming LEE
G.C. Luckmate Trading (Asia) Limited	Hong Kong	Animal Feed Trading	John Ming Tak HO Maung Tun MYINT Wai Bing LAM Erica Wai Ming LEE

## Arrangements to Purchase Shares or Debentures

Save as the share option scheme as disclosed in note 26 to the financial statements, at no time during the year was the Company or any of its holding companies, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations

At 31 December 2015, the interests of directors in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

### Long position in the shares of the Company

Name of director	Number of shares interested			Percentage* of the issued share capital of the Company
	Family interests	Corporate interests	Total interests	
Mr. Rustom Ming Yu HO	—	138,347,288 (Note)	138,347,288	52.87%
Mr. John Ming Tak HO	1,076,000	138,347,288 (Note)	139,423,288	53.28%

Note: By virtue of the SFO, both Mr. Rustom Ming Yu HO and Mr. John Ming Tak HO were deemed to have interests in the 138,347,288 shares of the Company held by Fulcrest Limited, a company in which Mr. Rustom Ming Yu HO and Mr. John Ming Tak HO have controlling interests. Interests in the same shares are also shown under the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company" below.

\* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2015.

## Directors' Report

Save as disclosed above, as at 31 December 2015, none of the directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

None of the directors nor managing director (including their spouse and children under 18 years of age) of the Company had any interest in, or had been granted, or exercised, any rights to subscribe for the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) during the year ended 31 December 2015.

### Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, as at 31 December 2015, the following companies had interests in more than 5% of the Company's issued share capital:

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

Name of substantial shareholder	Number of shares interested			Percentage* of the issued share capital of the Company
	Direct interests	Deemed interests	Total interests	
Fulcrest Limited	138,347,288	—	138,347,288	52.87%
Asian Pacific Investment Corporation	—	138,347,288 (Note)	138,347,288	52.87%
Kwong Fong Holdings Limited	710,000	138,347,288 (Note)	139,057,288	53.14%
Kwong Fong Industries Corporation	8,680,000	139,057,288 (Note)	147,737,288	56.46%
COFCO (Hong Kong) Limited	45,058,000	—	45,058,000	17.22%

Note: The share capital of Fulcrest Limited was owned as to 51% by Asian Pacific Investment Corporation and as to 49% by Kwong Fong Holdings Limited. Kwong Fong Holdings Limited was a wholly owned subsidiary of Kwong Fong Industries Corporation. Accordingly, Asian Pacific Investment Corporation and Kwong Fong Holdings Limited were deemed to be interested in the 138,347,288 shares of the Company held by Fulcrest Limited; and Kwong Fong Industries Corporation was deemed to be interested in the 139,057,288 shares of the Company in which Kwong Fong Holdings Limited had an interest.

\* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2015.

Save as disclosed above, the directors of the Company are not aware of any person (other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above) who, as at 31 December 2015, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

## Management Contracts

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

## Major Customers and Suppliers

The Group's five largest trading operation customers accounted for approximately 35.34% (2014: 31.40%) of the Group's turnover for its trading operation for the year. Approximately 10.38% (2014: 9.77%) of the Group's turnover for its trading operation was attributable to the largest customer.

Approximately 69.96% (2014: 75.15%) of the Group's purchases for its trading operation were attributable to the five largest trading operation suppliers with the largest supplier accounted for approximately 29.54% (2014: 24.88%) of the purchases. Due to the nature of the Group's other operations, information on the Group's customers and suppliers for the Group's other operations are not provided as it is considered to be of limited value.

## Corporate Governance

The corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" of this annual report.

## Continuing Connected Transaction

COFCO (Hong Kong) Limited ("COFCO Hong Kong") is interested in 45,058,000 shares of the Company, representing approximately 17.22% of the issued share capital of the Company and hence a connected person of the Company. Since COFCO Hong Kong and COFCO Feed Co., Ltd. ("COFCO Feed") are fellow subsidiaries of COFCO Corporation, COFCO Feed is an associate of COFCO Hong Kong and a connected person of the Company. Therefore, the sales transactions between the Group and COFCO Feed contemplated under the below-mentioned Master Sales Agreement constituted continuing connected transactions of the Company under the Listing Rules.

On 4 November 2013, the Company (for itself and on behalf of each of its subsidiaries) and COFCO Feed entered into a Master Sales & Procurement Agreement whereby the Group and COFCO Feed agreed to sell to and procure from each other the animal feed products during the term of the Master Sales & Procurement Agreement.

The annual caps for sales approved by the shareholders of the Company at the Company's extraordinary general meeting held on 23 December 2013 for the financial years ending 31 December 2014, 31 December 2015 and 31 December 2016 were HK\$350,000,000, HK\$390,000,000 and HK\$430,000,000 respectively. The annual caps for procurement approved by the shareholders of the Company at the Company's extraordinary general meeting held on 23 December 2013 for the financial years ending 31 December 2014, 31 December 2015 and 31 December 2016 were HK\$120,000,000, HK\$130,000,000 and HK\$150,000,000 respectively.

For the year ended 31 December 2015, the total sales order amount and invoiced value of these transactions ("COFCO Feed Transactions") amounted to HK\$6,312,000 (2014: nil).

The independent non-executive directors of the Company have reviewed the COFCO Feed Transactions and confirmed that they have been entered into:

- (i) in the ordinary and usual course of business of the Group;

## Directors' Report

- (ii) either on normal commercial terms or on terms no less favorable to the Group than the terms available to independent third parties; and
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the above mentioned continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transaction entered into by the Group during the year ended 31 December 2015.

## Segment Information

An analysis of the Group's performance for the year ended 31 December 2015 by reportable segment is set out in note 6 to the financial statements.

## Emolument Policy

The emolument policy of the employees of the Group is formulated and approved by the Board based on the employees' merit, qualification and competence.

The emoluments of the directors of the Company are determined by the Board, having regard to the Company's operating results, individual performance and comparable market statistics, based on the recommendation of the Remuneration Committee of the Company.

## Public Float

Based on the 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 throughout the year ended 31 December 2015.

## Events after the Reporting Date

- (i) On 21 January 2016, Fulcrest Limited ("Fulcrest"), which holds 138,347,288 shares of the Company, representing approximately 52.87% of the issued share capital of the Company (referred to as "Sale Shares"), and Hopevision Group Ltd. (the "Offeror") entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which Fulcrest conditionally agreed to sell and Hopevision Group Ltd. conditionally agreed to acquire the Sale Shares for a consideration of approximately HK\$552,998,120. This transaction is subject to approval by independent shareholders at an extraordinary general meeting.
- (ii) On 21 January 2016, the Company and Fulcrest entered into a disposal agreement (the "Disposal"), pursuant to which the Company conditionally agreed to sell, and Fulcrest conditionally agreed to purchase (i) the entire issued share capital of Datong Global Holdings Limited and Xingao Limited and their subsidiaries (collectively referred to as the "Disposal Group") and (ii) a disposal loan of approximately HK\$260,000,000, being part of the amount due by the Disposal Group to the Company and its remaining subsidiaries as at 21 January 2016, for a consideration of HK\$942,247,000 (subject to adjustment), which

constitutes a very substantial disposal, connected transaction and special deal for the Company and is subject to approval by independent shareholders at an extraordinary general meeting. The principal activities of the Disposal Group include (i) leasing of properties in Hong Kong; (ii) provision of agency services; and (iii) trading of fishmeal products.

- (iii) On 21 January 2016, a wholly-owned subsidiary the Company as lessor and a wholly-owned subsidiary of the Disposal Group as lessee entered into a lease agreement in respect of the lease of a property in Shanghai for a period of six months commencing from the Disposal completion date for a monthly rent of RMB27,400, which constitutes an exempted continuing connected transaction under the Listing Rules and a special deal under the Takeovers Code and shall subject to approval by independent shareholders at an extraordinary general meeting.
- (iv) In the meeting held on 20 January 2016, the directors have proposed a first special dividend of not less than HK\$1.147 per share, totalling not less than HK\$300 million, and a second special dividend of not less than HK\$2.293 per share, totalling not less than HK\$600 million. The first and second special dividends are subject to the approval of independent shareholders as well as the approval of the relevant resolution(s) in relation to, among others, the Sale and Purchase Agreement, the Disposal and the lease agreement by the independent shareholders at an extraordinary general meeting. Details of the first and second special dividend payout dates will be further announced by the Company.
- (v) Immediately upon completion of the acquisition of Sale Shares by the Offeror from Fulcrest (the "Sale and Purchase Completion"), assuming no other changes to the issued share capital of the Company, the Offeror and parties acting in concert with it will be interested in a total of 138,347,288 Shares, representing approximately 52.87% of the issued share capital of the Company. As such, the Offeror will be required to make an unconditional mandatory cash general offer for all the issued shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) (the "Offer Shares") pursuant to Rule 26.1 of the Takeovers Code. Based on information available, the Offer Shares represents approximately 47.13% of the issued share capital of the Company.

Subject to and upon the Sale and Purchase Completion, CCB International Capital Limited, on behalf of the Offeror and in compliance with the Takeovers Code, will make the share offer to acquire all the Offer Shares at HK\$3.998 for every Offer Share held (the "Share Offer Price") and on the terms to be set out in the offer document to be issued in accordance with the Takeovers Code. The Share Offer Price is not less than the consideration per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Offeror and Fulcrest.

On the basis that the Offeror and parties acting in concert with it will own approximately 138,347,288 Shares immediately after the Sale and Purchase Completion, the total consideration of the Offer Shares would be HK\$493,103,813 based on the Share Offer Price and 123,337,622 shares under the share offer, which will be the maximum amount payable by the Offeror under the share offer in the event that the share offer is accepted in full.

It is intended that following the closing of the share offer, the Company will maintain its listing on the Main Board of the Stock Exchange.

Details of the sale and purchase of the Sale Shares, the Disposal, the special dividends, the lease extension and the possible unconditional mandatory cash general offer, together with other relevant information, are set out in the Company's announcement dated 4 February 2016. The circular setting out additional information on the aforesaid transactions, including, among others, the advice of an independent financial adviser, the recommendation of the independent board committee and a notice convening the extraordinary general meeting, shall be despatched to the shareholders of the Company on or before 31 May 2016.



## Directors' Report

### Auditor

The consolidated financial statements for the year ended 31 December 2015 have been audited by BDO Limited.

A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

**John Ming Tak HO**

*Managing Director*

Hong Kong, 22 March 2016

# Independent Auditor's Report



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## To the Members of Great China Holdings Limited

*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Great China Holdings Limited (the "Company") and its subsidiaries (hereafter referred to as "the Group") set out on pages 35 to 108, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

## Independent Auditor's Report

### Opinion

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

**BDO Limited**

*Certified Public Accountants*

**Lui Chi Kin**

Practising Certificate Number P06162

Hong Kong, 22 March 2016

# Consolidated Income Statement

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	5	<b>1,191,819</b>	1,336,486
Cost of sales		<b>(1,120,753)</b>	(1,217,255)
Gross profit		<b>71,066</b>	119,231
Other income	7	<b>34,187</b>	25,977
Distribution costs		<b>(20,619)</b>	(23,794)
Administrative expenses		<b>(65,122)</b>	(48,433)
Change in fair value of investment properties		<b>(15,996)</b>	61,071
Change in fair value of financial assets at fair value through profit or loss		<b>7,105</b>	9,360
Change in fair value of derivative financial instruments		<b>—</b>	(2,490)
Other operating income, net	9	<b>3,409</b>	48,159
Finance costs	8	<b>(2,175)</b>	(2,705)
Profit before income tax	9	<b>11,855</b>	186,376
Income tax expense	11	<b>(10,201)</b>	(12,973)
<b>Profit for the year attributable to owners of the Company</b>		<b>1,654</b>	173,403
		<b>HK cent</b>	HK cents
<b>Earnings per share</b>	12		
— Basic and diluted		<b>0.63</b>	66.26

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
<b>Profit for the year</b>	<b>1,654</b>	173,403
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange difference arising from translation of foreign operations	<b>(29,205)</b>	(13,911)
Increase in fair value of available-for-sale financial assets	<b>30</b>	50
Other comprehensive income for the year	<b>(29,175)</b>	(13,861)
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b>(27,521)</b>	159,542

# Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Investment properties	14	982,658	1,022,169
Property, plant and equipment	15	48,278	48,011
Prepaid lease payments for land	16	259	263
Available-for-sale financial assets	17	39,726	12,397
Trade and other receivables, prepayments and deposits	20	31,793	—
Deferred tax assets	28	452	93
		<b>1,103,166</b>	1,082,933
<b>Current assets</b>			
Properties held for sale	18	18,094	19,408
Inventories	19	70,314	63,353
Prepaid lease payments for land	16	4	4
Trade and other receivables, prepayments and deposits	20	163,380	151,205
Financial assets at fair value through profit or loss	21	198,772	163,044
Tax recoverable		407	426
Derivative financial assets	22	—	38
Restricted bank deposit	23	16,041	16,841
Structured bank deposits	23	—	237,025
Bank balances and cash	23	240,027	244,579
		<b>707,039</b>	895,923

## Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Current liabilities</b>			
Trade and bills payables	24	42,764	73,192
Other payables and accrued expenses		39,613	43,469
Rental deposits received		3,226	1,237
Borrowings	25	18,652	77,831
Tax payable		2,559	3,322
		<b>106,814</b>	199,051
<b>Net current assets</b>			
		<b>600,225</b>	696,872
<b>Total assets less current liabilities</b>			
		<b>1,703,391</b>	1,779,805
<b>Non-current liabilities</b>			
Rental deposits received		5,148	7,873
Borrowings	25	95,641	114,281
Deferred tax liabilities	28	67,037	63,163
		<b>167,826</b>	185,317
<b>Net assets</b>			
		<b>1,535,565</b>	1,594,488
<b>Capital and reserves</b>			
Share capital	26	71,853	71,853
Reserves	27	1,463,712	1,522,635
<b>Total equity</b>			
		<b>1,535,565</b>	1,594,488

The consolidated financial statements on pages 35 to 108 were approved and authorised for issue by the board of directors on 22 March 2016 and signed on its behalf by:

John Ming Tak HO

Patrick Kwok Wai POON

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Properties revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2014	52,337	19,516	139,733	495	990	1,248,043	1,461,114
Profit for the year	—	—	—	—	—	173,403	173,403
Other comprehensive income:							
Exchange difference arising from translation of foreign operations	—	—	(13,911)	—	—	—	(13,911)
Increase in fair value of available-for-sale financial assets	—	—	—	—	50	—	50
Other comprehensive income for the year	—	—	(13,911)	—	50	—	(13,861)
Total comprehensive income for the year	—	—	(13,911)	—	50	173,403	159,542
Transfer between reserves:							
Transfers upon the abolition of nominal value of shares on 3 March 2014	19,516	(19,516)	—	—	—	—	—
Transactions with owners:							
2013 final dividends (note 13)	—	—	—	—	—	(26,168)	(26,168)
At 31 December 2014 and 1 January 2015	71,853	—	125,822	495	1,040	1,395,278	1,594,488
Profit for the year	—	—	—	—	—	1,654	1,654
Other comprehensive income:							
Exchange difference arising from translation of foreign operations	—	—	(29,205)	—	—	—	(29,205)
Increase in fair value of available-for-sale financial assets	—	—	—	—	30	—	30
Other comprehensive income for the year	—	—	(29,205)	—	30	—	(29,175)
Total comprehensive income for the year	—	—	(29,205)	—	30	1,654	(27,521)
Transactions with owners:							
2014 final dividends (note 13)	—	—	—	—	—	(31,402)	(31,402)
<b>At 31 December 2015</b>	<b>71,853</b>	<b>—</b>	<b>96,617</b>	<b>495</b>	<b>1,070</b>	<b>1,365,530</b>	<b>1,535,565</b>



# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before income tax		<b>11,855</b>	186,376
Adjustments for:			
Amortisation of prepaid lease payments for land	9	<b>4</b>	4
Depreciation of property, plant and equipment	9	<b>2,307</b>	2,178
Allowance for inventories	9	<b>4,221</b>	—
Allowance/(Reversal of allowance) for doubtful debts	9	<b>13,197</b>	(1,542)
Bad debt written off	9	<b>705</b>	8
Impairment loss on available-for-sale financial assets	9	<b>1</b>	25
Reversal of provision for taxes and charges	9	<b>(3,410)</b>	—
Reversal of provision for direct expenses and taxes	9	<b>—</b>	(48,184)
Change in fair value of investment properties	14	<b>15,996</b>	(61,071)
Change in fair value of derivative financial instruments		<b>—</b>	2,490
Change in fair value of financial assets at fair value through profit or loss		<b>(7,105)</b>	(9,360)
Gain on disposal of property, plant and equipment	7	<b>(175)</b>	—
Loss on write-off of property, plant and equipment	9	<b>303</b>	—
Interest income	7	<b>(28,974)</b>	(21,709)
Finance costs	8	<b>2,175</b>	2,705
Operating cash flows before movements in working capital		<b>11,100</b>	51,920
Increase in inventories		<b>(11,182)</b>	(31,119)
(Increase)/Decrease in trade and other receivables, prepayments and deposits		<b>(55,181)</b>	138,219
Decrease in derivative financial instruments		<b>38</b>	2,429
Decrease in trade and bills payables		<b>(30,428)</b>	(113,589)
Increase/(Decrease) in other payables and accrued expenses		<b>151</b>	(3,033)
Decrease in rental deposits received		<b>(736)</b>	(266)
Net increase in financial assets at fair value through profit or loss		<b>(28,623)</b>	(55,906)
Cash used in operations		<b>(114,861)</b>	(11,345)
Hong Kong profits tax paid, net		<b>(315)</b>	(476)
Overseas tax paid		<b>(3,849)</b>	(1,750)
<b>Net cash used in operating activities</b>		<b>(119,025)</b>	(13,571)

## Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
<b>INVESTING ACTIVITIES</b>		
Placement of structured bank deposits	<b>(331,911)</b>	(239,507)
Withdrawal of structured bank deposits	<b>565,478</b>	283,251
Interest received	<b>26,462</b>	20,580
Proceeds from disposal of property, plant and equipment	<b>621</b>	—
Purchase of property, plant and equipment	<b>(3,470)</b>	(68)
Purchase of available-for-sale financial assets	<b>(27,300)</b>	(1,170)
<b>Net cash from investing activities</b>	<b>229,880</b>	63,086
<b>FINANCING ACTIVITIES</b>		
New bank loans raised	<b>42,316</b>	55,707
Repayment of bank loans	<b>(120,135)</b>	(34,654)
Interest paid	<b>(2,470)</b>	(2,461)
Dividends paid	<b>(31,402)</b>	(26,168)
<b>Net cash used in financing activities</b>	<b>(111,691)</b>	(7,576)
Net (decrease)/increase in cash and cash equivalents	<b>(836)</b>	41,939
Cash and cash equivalents at 1 January	<b>244,579</b>	202,253
Effect of foreign exchange rate changes	<b>(3,716)</b>	387
<b>Cash and cash equivalents at 31 December</b>	<b>240,027</b>	244,579
<b>Analysis of cash and cash equivalents</b>		
Bank balances and cash	<b>240,027</b>	244,579

# Notes to the Financial Statements

For the year ended 31 December 2015

## 1. GENERAL

Great China Holdings Limited (the “Company”) is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company is Unit D, 26/F, United Centre, 95 Queensway, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the trading of animal feed, property investment and trading of properties. The Company and its subsidiaries are collectively referred to as “the Group”.

Its immediate holding company is Fulcrest Limited (“Fulcrest”), a limited liability company incorporated in Hong Kong and its ultimate holding company is Kwong Fong Industries Corporation, a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation.

The functional currency of the Company and its major subsidiaries is United States dollars (“USD”). The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is different from the functional currency of the Company, as the directors of the Company consider that HK\$ is a more appropriate presentation currency in view of its place of listing.

The consolidated financial statements on pages 35 to 108 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

## 2. ADOPTION OF NEW OR REVISED HKFRSs

### 2.1 Adoption of new or revised HKFRSs — effective 1 January 2015

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2015:

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle

Except as explained below, the adoption of these amendments has no material impact on the Group’s financial statements.

## 2. ADOPTION OF NEW OR REVISED HKFRSs (continued)

### 2.1 Adoption of new or revised HKFRSs — effective 1 January 2015 (continued)

#### *Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 *Property, Plant and Equipment* to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The adoption of the amendments to HKAS 16 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with revaluations of its property, plant and equipment.

### 2.2 New or revised HKFRSs that have been issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>

<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

#### *Amendments to HKAS 1 — Disclosure Initiative*

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 2. ADOPTION OF NEW OR REVISED HKFRSs (continued)

#### 2.2 New or revised HKFRSs that have been issued but not yet effective (continued)

##### *Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

##### *Amendments to HKAS 27 — Equity Method in Separate Financial Statements*

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries in its separate financial statements.

##### *HKFRS 9 (2014) — Financial Instruments*

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

##### *HKFRS 15 — Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

## 2. ADOPTION OF NEW OR REVISED HKFRSs (continued)

### 2.2 New or revised HKFRSs that have been issued but not yet effective (continued)

#### *HKFRS 15 — Revenue from Contracts with Customers (continued)*

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in process of making an assessment of the potential impact of these new or revised HKFRSs.

### 2.3 New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values. The measurement bases are fully described in the accounting policies below.

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and conditions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 4.

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, unrealised gains and losses on transactions within the Group are eliminated in full on consolidation. Unrealised losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

#### 3.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

- power over the investee;
- exposure, or rights, to variable returns from the investee; and
- the ability to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

#### 3.3 Investment properties

Investment properties are land and buildings held to earn rentals and/or for capital appreciation rather than for use in the production or supply of goods or services or for administrative purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values, if applicable, over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or disposal. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the item and is recognised in profit or loss.

#### 3.5 Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments for land" in the statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

#### 3.6 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *As lessor*

Assets leased by the Group under operating lease are included in non-current assets, and rental income is recognised in profit or loss on a straight-line basis over the term of the relevant lease.



## Notes to the Financial Statements

For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.6 Leasing (continued)

##### *As lessee*

Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 3.7 Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- prepaid lease payments for land; and
- interests in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash-generating unit, 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 or cash-generating unit.

#### 3.8 Financial instruments

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.8 Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### (i) Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The Group classifies its financial assets on initial recognition, depending on the nature and purpose for which the financial asset was acquired. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### *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 fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, including separated embedded derivative, that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.8 Financial instruments (continued)

##### (i) Financial assets (continued)

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

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and deposits, restricted bank deposit, structured bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

###### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Subsequent to initial recognition, available-for-sale financial assets are carried at fair value with changes in fair value recognised in other comprehensive income, accumulated in investment revaluation reserve, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss. When the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

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

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.8 Financial instruments (continued)

##### (i) Financial assets (continued)

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

Evidence of impairment may include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest and principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

###### *Loans and receivables*

Loans and receivables carried at amortised cost, an impairment loss is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. When any part of the financial asset is determined as uncollectible, it is written off against the allowance account for the relevant asset.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

###### *Available-for-sale financial assets*

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.8 Financial instruments (continued)

##### (i) Financial assets (continued)

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

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

For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

##### (ii) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

###### *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.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a derivative, including separated embedded derivative, that is not designated and effective as a hedging instrument.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.8 Financial instruments (continued)

##### (ii) Financial liabilities and equity instruments (continued)

###### *Financial liabilities at fair value through profit or loss (continued)*

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value arising on remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

###### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost (including trade and bills payables, other payables and accrued expenses, rental deposits received and borrowings), are subsequently measured at amortised cost, using the effective interest method.

##### (iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income and expense is recognised on an effective interest basis.

##### (iv) Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.8 Financial instruments (continued)

##### (v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

##### (vi) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

##### (vii) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.9 Inventories and properties held for sale

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value, comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method.

Properties held for sale, which represent unsold completed properties, are stated at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

#### 3.10 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

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.

#### 3.11 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the rate of exchange prevailing at the end of the reporting period, and their income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve in equity.



## Notes to the Financial Statements

For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.11 Foreign currencies (continued)

On disposal of a foreign operation, the cumulative exchange differences recognised in exchange reserve relating to that foreign operation up to the date of disposal attributable to owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in exchange reserve in equity.

#### 3.12 Recognition of revenue and other income

Revenue is measured at fair value of the consideration received or receivable and represents the amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time when goods are delivered and title has passed to customers.

Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the buyers, upon execution of binding sales agreement and delivery of properties to buyers.

Rental income, including rentals invoiced in advance from properties leased under operating leases, is recognised on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expenses on a straight-line basis over the lease term.

Agency fee income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### 3.13 Taxation

Income tax expense comprises current tax and deferred tax.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.13 Taxation (continued)

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

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

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the 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 asset to be recovered.

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

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

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 *Investment Property*. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.14 Borrowing costs

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

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

#### 3.15 Retirement benefit costs

Payments to the retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

#### 3.16 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### 3.17 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the executive directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

#### 3.18 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.19 Related parties

For the purposes of these financial statements, 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 of the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Company's parent;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third party and the other party is an associate of the third party;
  - (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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Key sources of estimation uncertainty

##### (i) *Estimate of fair value of investment properties*

As disclosed in note 14, the investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the estimates, 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.

For more detailed information in relation to fair value measurement of investment properties, please refer to note 14.

##### (ii) *Impairment of trade and other receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The estimation of the recoverable amount of receivables requires significant estimation and judgements including evaluation of collectability and assessing creditworthiness and past collection history of customers or debtors. Where the actual future cash flows are less than expected, a material impairment loss may arise.

##### (iii) *Net realisable value of inventories*

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated variable selling expenses. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off in profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recovered, significant estimation and judgements are required. In making estimation and judgements, the Group evaluates, among other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to market conditions.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

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

##### *(iv) Estimates of current and deferred tax*

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation, the timing of payment of the related taxation and the implementation of these taxes varies amongst various cities in the Peoples' Republic of China (the "PRC"). The Group recognised income tax and other taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the local tax authorities.

#### 5. REVENUE

Revenue, which is also the turnover of the Group, represents net invoiced value of fishmeal sold and rental income. Revenue recognised during the year is as follows:

	2015 HK\$'000	2014 HK\$'000
Sales of goods	1,153,604	1,295,987
Rental income	38,215	40,499
	<b>1,191,819</b>	1,336,486

#### 6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision-maker, for the purpose of resource allocation and assessment of segment performance focuses on the operating divisions of the Group.

The executive directors have identified the following reportable segments for the Group's operating segments. These segments are managed separately as each business offers different products and services and requires different business strategies.

1. General trading — trading of fishmeal
2. Property investment in Hong Kong — leasing of properties situated in Hong Kong
3. Property investment in the PRC — leasing of properties situated in the PRC (other than Hong Kong) and provision for agency services
4. Trading of properties — sale of properties situated in the PRC

## Notes to the Financial Statements

For the year ended 31 December 2015

### 6. SEGMENT INFORMATION (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies. There were no inter-segment sales between different operating segments for the year ended 31 December 2015 (2014: nil). Segment revenue represents sales revenue from external customers. Segment profit or loss after tax represents net profit earned or loss incurred by each reportable segment without allocation of income and expenses of the Group's headquarter, including change in fair value of financial assets at fair value through profit or loss, impairment loss on available-for-sale financial assets, corporate income and expenses, unallocated finance costs and unallocated income tax credit or expense.

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than the Group headquarter's corporate assets; and
- all liabilities are allocated to reportable segments other than the Group headquarter's corporate liabilities.

Information regarding the above segments is reported below.

#### Segment revenue and results

	General trading HK\$'000	Property investment in Hong Kong HK\$'000	Property investment in the PRC HK\$'000	Trading of properties HK\$'000	Consolidated HK\$'000
<b>For the year ended 31 December 2015</b>					
Reportable segment revenue	1,153,604	17,936	20,279	—	1,191,819
Reportable segment (loss)/profit after tax	(11,737)	(29,279)	(Note (a)) 36,316	—	(4,700)
Change in fair value of financial assets at fair value through profit or loss					7,105
Impairment loss on available-for-sale financial assets					(1)
Corporate income and expenses, net					(442)
Unallocated finance costs					(360)
Unallocated income tax credit					52
Profit for the year					1,654

## Notes to the Financial Statements

For the year ended 31 December 2015

### 6. SEGMENT INFORMATION (continued)

#### Segment revenue and results (continued)

	General trading HK\$'000	Property investment in Hong Kong HK\$'000	Property investment in the PRC HK\$'000	Trading of properties HK\$'000	Consolidated HK\$'000
<i>For the year ended 31 December 2014</i>					
Reportable segment revenue	1,295,987	18,215	22,284	—	1,336,486
Reportable segment profit after tax	45,795	31,031	(Note (b)) 98,377	—	175,203
Change in fair value of financial assets at fair value through profit or loss					9,360
Impairment loss on available-for-sale financial assets					(25)
Corporate income and expenses, net					(10,296)
Unallocated finance costs					(725)
Unallocated income tax expenses					(114)
Profit for the year					173,403

#### Notes:

- (a) Included reversal of provision for taxes and charges of HK\$3,410,000, which is described in detail in note 9(d).
- (b) Included reversal of provision for direct expenses and tax amounting to approximately HK\$48,184,000, which is described in detail in note 9(c).



## Notes to the Financial Statements

For the year ended 31 December 2015

### 6. SEGMENT INFORMATION (continued)

#### Segment assets and liabilities

	General trading HK\$'000	Property investment in Hong Kong HK\$'000	Property investment in the PRC HK\$'000	Trading of properties HK\$'000	Total HK\$'000
<b>At 31 December 2015</b>					
Reportable segment assets	<b>338,099</b>	<b>558,983</b>	<b>497,375</b>	<b>18,094</b>	<b>1,412,551</b>
Available-for-sale financial assets					<b>39,726</b>
Financial assets at fair value through profit or loss					<b>198,772</b>
Unallocated corporate assets					<b>159,156</b>
Consolidated total assets					<b>1,810,205</b>
Reportable segment liabilities	<b>91,651</b>	<b>72,366</b>	<b>88,901</b>	—	<b>252,918</b>
Unallocated corporate liabilities					<b>21,722</b>
Consolidated total liabilities					<b>274,640</b>
<b>At 31 December 2014</b>					
Reportable segment assets	557,551	589,982	501,786	19,408	1,668,727
Available-for-sale financial assets					12,397
Financial assets at fair value through profit or loss					163,044
Unallocated corporate assets					134,688
Consolidated total assets					1,978,856
Reportable segment liabilities	190,886	81,752	91,047	—	363,685
Unallocated corporate liabilities					20,683
Consolidated total liabilities					384,368

Unallocated corporate assets mainly comprised of property, plant and equipment which are used by the Group's headquarter, bank balances and cash which are held as the general working capital of the Group as a whole and other corporate assets of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

## 6. SEGMENT INFORMATION (continued)

### Segment assets and liabilities (continued)

Unallocated corporate liabilities mainly comprised of borrowings for the financing of the general working capital of the Group as a whole and other corporate liabilities of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

### Other segment information

	General trading HK\$'000	Property investment in Hong Kong HK\$'000	Property investment in the PRC HK\$'000	Trading of properties HK\$'000	Corporate/ Unallocated HK\$'000	Consolidated HK\$'000
<b>For the year ended</b>						
<b>31 December 2015</b>						
Additions to specified non-current assets (note)	829	2,266	375	—	—	3,470
Amortisation of prepaid lease payments for land	—	—	4	—	—	4
Depreciation of property, plant and equipment	333	248	232	—	1,494	2,307
Fair value loss/(gain) on investment properties	—	44,270	(28,274)	—	—	15,996
Allowance for inventories	4,221	—	—	—	—	4,221
Allowance for doubtful debts	13,050	—	147	—	—	13,197
Bad debt written off	705	—	—	—	—	705
Exchange loss/(gain), net	9,393	12	(1,153)	—	(1,930)	6,322
Interest income	14,450	—	15	—	14,509	28,974
Interest expense	553	1,262	—	—	360	2,175
Income tax expense/(credit)	1,921	416	7,916	—	(52)	10,201

## Notes to the Financial Statements

For the year ended 31 December 2015

### 6. SEGMENT INFORMATION (continued)

#### Other segment information (continued)

	General trading HK\$'000	Property investment in Hong Kong HK\$'000	Property investment in the PRC HK\$'000	Trading of properties HK\$'000	Corporate/Unallocated HK\$'000	Consolidated HK\$'000
<i>For the year ended</i>						
<i>31 December 2014</i>						
Additions to specified non-current assets (note)	38	—	30	—	—	68
Amortisation of prepaid lease payments for land	—	—	4	—	—	4
Depreciation of property, plant and equipment	388	—	296	—	1,494	2,178
Fair value gain on investment properties	—	16,930	44,141	—	—	61,071
Fair value loss on derivative financial instruments	—	—	—	—	2,490	2,490
Reversal of allowance for doubtful debts	1,542	—	—	—	—	1,542
Bad debt written off	—	—	8	—	—	8
Exchange loss/(gain), net	7,253	(57)	(513)	—	(591)	6,092
Interest income	18,671	—	14	—	3,024	21,709
Interest expense	264	1,716	—	—	725	2,705
Income tax expense	2,119	811	9,929	—	114	12,973

Note: Specified non-current assets excluded financial instruments and deferred tax assets.

#### Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue by location of customers and information about its specified non-current assets by geographical location of the assets are detailed below:

	Revenue		Specified non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong (place of domicile)	17,936	18,215	548,042	591,980
Other regions in the PRC	1,173,883	1,318,271	483,153	478,463
	<b>1,191,819</b>	1,336,486	<b>1,031,195</b>	1,070,443

## 6. SEGMENT INFORMATION (continued)

### Information about major customers

For the year ended 31 December 2015, revenue from one customer of the Group's general trading segment amounted to HK\$123,693,000, which exceeded 10% of the Group's revenue.

For the year ended 31 December 2014, no customer has contributed 10% or more of the Group's revenue.

## 7. OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Interest income on		
— bank balances and trade receivables measured at amortised cost	14,895	18,685
— debt securities measured at fair value through profit or loss	11,551	3,024
— unlisted investment stated at cost	2,528	—
	<b>28,974</b>	21,709
Dividend income from listed equity securities	74	20
Gain on disposal of property, plant and equipment	175	—
Reversal of allowance for doubtful debts	—	1,534
Sundry	4,964	2,714
	<b>34,187</b>	25,977

## 8. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on borrowings		
— wholly repayable within five years	486	495
— not wholly repayable within five years	1,689	2,210
	<b>2,175</b>	2,705

## Notes to the Financial Statements

For the year ended 31 December 2015

### 9. PROFIT BEFORE INCOME TAX

	2015 HK\$'000	2014 HK\$'000
Profit before income tax has been arrived at after charging/(crediting):		
Auditor's remuneration	850	850
Amortisation of prepaid lease payments for land	4	4
Depreciation of property, plant and equipment	2,307	2,178
Loss on write-off of property, plant and equipment	303	—
Cost of inventories recognised as an expense, including	1,117,379	1,214,309
— Allowance for inventories	4,221	—
Exchange loss, net	6,322	6,092
Allowance/(Reversal of allowance) for doubtful debts	13,197	(1,542)
Bad debt written off	705	8
Employee costs (including directors' emoluments) (notes (a) and (b))	27,786	30,733
Other operating income, net:		
Reversal of provision for direct expenses and tax (note (c))	—	(48,184)
Reversal of provision for taxes and charges (note (d))	(3,410)	—
Impairment loss on available-for-sale financial assets	1	25
	<b>(3,409)</b>	<b>(48,159)</b>
Gross rental income	<b>(38,215)</b>	<b>(40,499)</b>
Less: Outgoings	<b>2,854</b>	<b>3,292</b>
Net rental income	<b>(35,361)</b>	<b>(37,207)</b>

Notes:

(a) Employee costs (including directors' emoluments (note 10(a)) comprise:

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and other benefits	26,528	29,253
Retirement fund contributions — defined contribution retirement plans	1,258	1,480
	<b>27,786</b>	<b>30,733</b>

(b) Operating lease charges in respect of the Group's staff quarters of HK\$1,579,000 (2014: HK\$1,416,000) are included in staff costs.

## 9. PROFIT BEFORE INCOME TAX (continued)

Notes: (continued)

- (c) In October 2012, the Group disposed of 43% of the issued share capital of Samstrong International Limited ("Samstrong"). Before the disposal, Samstrong and the companies under Samstrong ("Samstrong Group") were associates of the Group in which the Group held 43% interests through Great China Development (Shanghai) Limited ("GCD", an indirect wholly-owned subsidiary of the Company).

Pursuant to the sale and purchase agreement, the Group agreed to indemnify the buyer of Samstrong Group for taxes and claims related to Samstrong Group which potentially arise within a period of eighteen months after the completion date (the "Warranty Period"). The aggregate provision made by the Group for the potential claims arising during the Warranty Period and other direct expenses and taxes related to the disposal amounted to approximately HK\$60,460,000, which was included in "Gain on disposal after deducting direct expenses and tax" as presented in the consolidated income statement of the Group for the year ended 31 December 2012.

During the year ended 31 December 2014, following the expiry of the Warranty Period and the dissolution of GCD, and after deducting the claims made so far, the Group has reversed the remaining provision amounting to approximately HK\$48,184,000 and this was included in "Other operating income, net" in the consolidated income statement for the year ended 31 December 2014.

- (d) Various PRC taxes and charges in the sum of HK\$3,410,000 arising from or in connection with 博平置業(上海)有限公司 ("Poppin", an indirectly wholly-owned subsidiary of the Company) have been provided during the years ended 31 December 2004, 2005 and 2006 and the Group was not required to settle these obligations over these years. After taking into account of the opinion of the Group's PRC tax consultant, the management considered that it is no longer probable for the tax authorities of the PRC to enforce the settlement of these taxes and charges. The provision is reversed during the year and this was included in "Other operating income, net" in the consolidated income statement for the year ended 31 December 2015.

## 10. DIRECTORS' AND EMPLOYEES' REMUNERATION

### (a) Directors' remuneration

Directors' remuneration disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) is as follows:

	Mr. Rustom Ming Yu HO HK'000	Mr. John Ming Tak HO HK'000	Mr. Patrick Kwok Wai POON HK'000	Mr. Maung Tun MYINT HK'000	Mr. Lawrence Kam Kee YU HK'000	Mr. David Hon To YU HK'000	Mr. Hsu Chou WU HK'000	Ms. Yu Gia HO HK'000	Total HK'000
<b>For the year ended 31 December 2015</b>									
Fees	—	—	—	—	280	300	70	70	720
Other emoluments									
Salaries and other benefits	1,197	4,588	1,767	2,202	—	—	—	—	9,754
Retirement benefit scheme contributions	—	18	8	18	—	—	—	—	44
	1,197	4,606	1,775	2,220	280	300	70	70	10,518

## Notes to the Financial Statements

For the year ended 31 December 2015

### 10. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

#### (a) Directors' remuneration (continued)

	Mr. Rustom Ming Yu HO HK'000	Mr. John Ming Tak HO HK'000	Mr. Patrick Kwok Wai POON HK'000	Mr. Maung Tun MYINT HK'000	Mr. Lawrence Kam Kee YU HK'000	Mr. David Hon To YU HK'000	Mr. Hsu Chou WU HK'000	Ms. Yu Gia HO HK'000	Total HK'000
<i>For the year ended 31 December 2014</i>									
Fees	—	—	—	—	280	300	70	70	720
Other emoluments									
Salaries and other benefits	1,270	4,388	1,905	2,145	—	—	—	—	9,708
Discretionary performance bonus (note (i))	50	2,287	341	917	—	—	—	—	3,595
Retirement benefit scheme contributions	—	17	17	17	—	—	—	—	51
	1,320	6,692	2,263	3,079	280	300	70	70	14,074

Notes:

- (i) The discretionary performance bonus is determined having regard to the performance of individuals and financial performance of the Group.
- (ii) No directors waived any emoluments during the year ended 31 December 2015 (2014: nil).

#### (b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2014: four) are directors of the Company whose emoluments are included in the disclosure in note (a) above. The emoluments of the remaining one (2014: one) highest paid individual is as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	630	600
Discretionary performance bonus	390	366
Retirement benefits costs — defined contribution plans	18	17
	1,038	983

The emoluments were within the following bands:

	Number of individual	
	2015	2014
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	1	—
	1	1

**10. DIRECTORS' AND EMPLOYEES' REMUNERATION** *(continued)***(b) Five highest paid individuals** *(continued)*

No emolument was paid or payable by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the year ended 31 December 2015 (2014: nil).

**11. INCOME TAX EXPENSE**

	2015 HK\$'000	2014 HK\$'000
Income tax expense comprises:		
Hong Kong profits tax		
Current tax for the year	133	536
Over-provision in prior years	(154)	(32)
	(21)	504
Other jurisdictions		
Current tax for the year	3,597	3,916
Withholding tax	—	50
	3,597	3,966
Deferred tax <i>(note 28)</i>	6,625	8,503
Income tax expense	10,201	12,973

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC subsidiaries are subject to Enterprise Income Tax of tax rate of 25%.

Enterprise Income Tax arising from certain Hong Kong subsidiaries' operations in the PRC is calculated at tax rate of 10% (2014: 10%) on the estimated assessable income for the year.



## Notes to the Financial Statements

For the year ended 31 December 2015

### 11. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to profit before income tax per the consolidated income statement as follows:

	2015 HK\$'000	2014 HK\$'000
Profit before income tax	11,855	186,376
Tax on profit before income tax, calculated at applicable tax rates	1,586	31,749
Tax effect of expenses not deductible for tax purpose	10,752	1,968
Tax effect of income not taxable for tax purpose	(3,081)	(14,120)
Tax effect of tax losses not recognised	508	7
Tax effect of utilisation of tax losses previously not recognised	(518)	(8,459)
Tax effect of temporary difference not recognised	1,108	2,108
Over-provision in respect of prior years	(154)	(32)
Withholding tax	—	50
Others	—	(298)
Income tax expense	10,201	12,973

### 12. EARNINGS PER SHARE

The calculations of basic earnings per share attributable to owners of the Company are based on the following data:

	2015 HK\$'000	2014 HK\$'000
Profit for the year attributable to owners of the Company	1,654	173,403
	Number of shares	
	2015	2014
Weighted average number of ordinary shares in issue during the year	261,684,910	261,684,910

Basic and diluted earnings per share for the years ended 31 December 2015 and 2014 are equal as there were no potential dilutive ordinary shares in issue in both years.

### 13. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015. The 2014 final dividend of HK\$0.12 per ordinary share amounting to HK\$31,402,000 has been approved by the shareholders in the 2015 annual general meeting held on 20 May 2015.

	2015 HK\$'000	2014 HK\$'000
Final dividend in respect of previous financial year, approved and paid during the year: 2014 final dividend of HK\$0.12 (2014: 2013 final dividend of HK\$0.1) per ordinary share	<b>31,402</b>	26,168

On 20 January 2016, the directors have proposed a special dividend of not less than HK\$1.147 per share before the completion of the disposal of the entire issued share capital of Datong Global Holdings Limited and Xingao Limited and their subsidiaries to Fulcrest, totalling not less than HK\$300 million, and conditional on the completion of the disposal, another special dividend of not less than HK\$2.293 per share, totalling not less than HK\$600 million. These special dividends are subject to approval by independent shareholders at an extraordinary general meeting. Details of the disposal and the special dividends, together with other relevant information, are set out in the Company's announcement dated 4 February 2016.

### 14. INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
<b>Fair value</b>		
At 1 January	<b>1,022,169</b>	972,262
Exchange realignment	<b>(23,515)</b>	(11,164)
Change in fair value	<b>(15,996)</b>	61,071
<b>At 31 December</b>	<b>982,658</b>	1,022,169

The Group's investment properties are measured using the fair value model and are leased to third parties under operating leases to earn rental income, further details of which are set out in note 29.

The fair value of the Group's investment properties at 31 December 2015 and 2014 have been arrived at on the basis of valuations carried out by Asset Appraisal Limited ("Asset Appraisal") and A.G. Wilkinson & Associates (Surveyors) Limited ("A.G. Wilkinson & Associates"), respectively. Asset Appraisal and A.G. Wilkinson & Associates are independent qualified professional valuers to the Group. Both of them are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of properties in the PRC and Hong Kong when they value the investment properties of the Group.

The valuation of the investment properties as at 31 December 2015 and 2014 is determined using investment method of valuation which uses direct capitalisation approach by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 14. INVESTMENT PROPERTIES (continued)

The fair value of all investment properties of the Group is Level 3 recurring fair value measurement as at 31 December 2015 and 2014.

The following table reconciles the recurring fair value measurement of investment properties using significant unobservable inputs (Level 3):

	Shops in Hong Kong HK\$'000	Apartments in Hong Kong HK\$'000	Car park space in Hong Kong HK\$'000	Properties in Shanghai HK\$'000	Total HK\$'000
At 1 January 2014	464,200	—	1,140	441,822	907,162
Transfer from Level 2	—	65,100	—	—	65,100
Exchange realignment	—	—	—	(11,164)	(11,164)
Net gain from fair value measurement — Included in "Change in fair value of investment properties"	16,000	800	130	44,141	61,071
At 31 December 2014 and 1 January 2015	480,200	65,900	1,270	474,799	1,022,169
Exchange realignment	—	—	—	(23,515)	(23,515)
Net gain from fair value measurement — Included in "Change in fair value of investment properties"	(35,900)	(8,400)	30	28,274	(15,996)
<b>At 31 December 2015</b>	<b>444,300</b>	<b>57,500</b>	<b>1,300</b>	<b>479,558</b>	<b>982,658</b>
<b>Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December 2014</b>	<b>16,000</b>	<b>800</b>	<b>130</b>	<b>44,141</b>	<b>61,071</b>
<b>Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December 2015</b>	<b>(35,900)</b>	<b>(8,400)</b>	<b>30</b>	<b>28,274</b>	<b>(15,996)</b>

## 14. INVESTMENT PROPERTIES (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

### As at 31 December 2015

Properties	Location	Valuation technique	Fair value hierarchy	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shops, apartments and car park space	Hong Kong	Investment Method of valuation — Capitalisation of net income	Level 3	Market rent (per month)	For shops: HK\$198.26 to HK\$896.86 per square foot ("sq.ft.") For apartments: HK\$52.84 per sq.ft. For car park space: HK\$4,117 monthly basis	The higher the rental value, the higher the fair value
				Market Yield	2.00% to 2.50%	The higher the market yield, the lower the fair value
				Term Yield	2.48% to 5.46%	The higher the term yield, the lower the fair value
				Reversionary yield	2.50% to 3.00%	The higher the reversionary yield, the lower the fair value
Apartment, shops and car park spaces	Shanghai, the PRC	Investment Method of valuation — Capitalisation of net income	Level 3	Market rent (per month)	For apartments and shops: Renminbi("RMB") 52.51 to RMB226.26 per square metre ("sq. m.") For car park spaces: RMB825 per unit	The higher the rental value, the higher the fair value
				Market Yield	3.00% to 5.00%	The higher the market yield, the lower the fair value
				Term Yield	2.00% to 5.40%	The higher the term yield, the lower the fair value
				Reversionary yield	3.50% to 5.50%	The higher the reversionary yield, the lower the fair value

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### 14. INVESTMENT PROPERTIES (continued)

As at 31 December 2014

Properties	Location	Valuation technique	Fair value hierarchy	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shops, apartments and car park space	Hong Kong	Investment Method of valuation — Capitalisation of net income	Level 3	Market rent (per month)	For shops: HK\$300.68 to HK\$845.00 per sq.ft. For apartments: HK\$58.9 to HK\$65.49 per sq.ft. For car park space: HK\$4,525 monthly basis	The higher the rental value, the higher the fair value
				Market Yield	2.35% to 4.75%	The higher the market yield, the lower the fair value
				Term Yield	1.92% to 5.10%	The higher the term yield, the lower the fair value
				Outgoing rate	3.00% to 6.50%	The higher the outgoing rate, the lower the fair value
Apartment, shops and car park spaces	Shanghai, the PRC	Investment Method of valuation — Capitalisation of net income	Level 3	Market rent (per month)	For apartments and shops: RMB83.6 to RMB256.5 per sq. m. For car park spaces: RMB912 per unit	The higher the rental value, the higher the fair value
				Market Yield	4.10% to 5.65%	The higher the market yield, the lower the fair value
				Term Yield	2.59% to 5.13%	The higher the term yield, the lower the fair value
				Outgoing rate	3.00% to 5%	The higher the outgoing rate, the lower the fair value

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use.

Certain investment properties with an aggregate carrying amount of HK\$798,850,000 (2014: HK\$844,502,000) are pledged to secure banking facilities granted to the Group (note 31).

**14. INVESTMENT PROPERTIES** *(continued)*

The carrying amount of Group's investment properties is analysed as follows:

	2015 HK\$'000	2014 HK\$'000
Properties situated in:		
— leasehold land in Hong Kong under:		
Long-term lease	<b>445,600</b>	481,470
Medium-term lease	<b>57,500</b>	65,900
	<b>503,100</b>	547,370
— leasehold land outside Hong Kong under:		
Long-term lease	<b>297,050</b>	298,402
Medium-term lease	<b>182,508</b>	176,397
	<b>479,558</b>	474,799
	<b>982,658</b>	1,022,169

## Notes to the Financial Statements

For the year ended 31 December 2015

### 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and office equipment HK\$'000	Total HK\$'000
<b>COST</b>						
At 1 January 2014	38,216	9,662	15,111	2,314	7,178	72,481
Exchange realignment	—	(85)	(137)	(42)	(79)	(343)
Additions	—	—	—	—	68	68
At 31 December 2014 and 1 January 2015	38,216	9,577	14,974	2,272	7,167	72,206
Exchange realignment	—	(157)	(70)	(46)	(108)	(381)
Additions	—	—	1,960	1,315	195	3,470
Disposals/Write-off	—	—	(5,137)	(1,362)	(2,505)	(9,004)
At 31 December 2015	38,216	9,420	11,727	2,179	4,749	66,291
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2014	1,831	1,677	10,825	1,565	6,356	22,254
Exchange realignment	—	(33)	(113)	(28)	(63)	(237)
Provided for the year	318	226	1,069	298	267	2,178
At 31 December 2014 and 1 January 2015	2,149	1,870	11,781	1,835	6,560	24,195
Exchange realignment	—	(64)	(67)	(1)	(102)	(234)
Provided for the year	319	222	1,281	187	298	2,307
Write back on disposal/Write-off	—	—	(5,059)	(979)	(2,217)	(8,255)
At 31 December 2015	2,468	2,028	7,936	1,042	4,539	18,013
<b>NET BOOK VALUE</b>						
<b>At 31 December 2015</b>	<b>35,748</b>	<b>7,392</b>	<b>3,791</b>	<b>1,137</b>	<b>210</b>	<b>48,278</b>
At 31 December 2014	36,067	7,707	3,193	437	607	48,011

Property, plant and equipment are depreciated on a straight-line basis to write off their cost, less estimated residual value, if any, over their estimated useful lives as follows:

#### Category of assets

Leasehold land	Over the term of the lease
Buildings	Over the shorter of the term of the lease, or 40 years
Leasehold improvements	5 years
Motor vehicles	4 years
Furniture, fixtures and office equipment	5 years

**15. PROPERTY, PLANT AND EQUIPMENT (continued)****Category of assets (continued)**

Certain leasehold land and buildings with aggregate carrying amount of HK\$40,804,000 (2014: HK\$41,280,000) are pledged to secure banking facilities granted to the Group (note 31).

The carrying amount of leasehold land represents land located in Hong Kong held by the Group under long-term lease (2014: long-term lease).

**16. PREPAID LEASE PAYMENTS FOR LAND**

	2015 HK\$'000	2014 HK\$'000
Carrying amount at 1 January	267	271
Amortisation for the year	(4)	(4)
<b>Carrying amount at 31 December</b>	<b>263</b>	267

The Group's prepaid lease payments for land comprise:

	2015 HK\$'000	2014 HK\$'000
Leasehold land in the PRC held under — long-term lease	263	267
Analysed for reporting purposes as:		
— Non-current asset	259	263
— Current asset	4	4
	<b>263</b>	267

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

	2015 HK\$'000	2014 HK\$'000
Club debentures stated at fair value (note (i))	1,896	1,867
Unlisted investment stated at cost (note (ii))	27,300	—
Unlisted equity securities stated at cost (note (iii))	10,530	10,530
	<b>39,726</b>	12,397



## Notes to the Financial Statements

For the year ended 31 December 2015

### 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Notes:

- (i) Available-for-sale financial assets as at 31 December 2015 include club debentures with net carrying amount of HK\$1,896,000 (2014: HK\$1,867,000), which are stated at fair value.
- (ii) During the year, the Group contributed US\$3,500,000 (approximately HK\$27,300,000) to a close-ended private equity fund ("the Fund"). The Fund invests a series of senior secured bonds, with the term of two years and the interest rate of 12% per annum. The principal amount and interests are payable on the maturity date. The Fund does not have a quoted market price in an active market and whose fair value cannot be reliably measured. It is measured at cost less any identified impairment losses at the end of the reporting period.
- (iii) The balances of HK\$10,530,000 (2014: HK\$10,530,000) represent investment in unlisted equity securities, which are stated at cost less impairment, if any. The directors of the Company are of the opinion that the range of reasonable fair value estimates is so significant that its fair value cannot be measured reliably.

### 18. PROPERTIES HELD FOR SALE

	2015 HK\$'000	2014 HK\$'000
Properties held for sale		
— Prepaid lease payments for land	5,655	5,937
— Buildings	12,439	13,471
	<b>18,094</b>	19,408

The carrying amounts of prepaid lease payments for land of HK\$5,655,000 (2014: HK\$5,937,000) included in properties held for sale represent interest in land held by the Group under long-term lease.

### 19. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Trading merchandises	70,314	63,353

### 20. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2015 HK\$'000	2014 HK\$'000
Trade and bills receivables, net (note (a))	117,610	70,513
Prepayments, deposits and other receivables, net (note (b))	77,563	80,692
Carrying amount at 31 December	<b>195,173</b>	151,205
Less: Current portion	<b>(163,380)</b>	(151,205)
Non-current portion	<b>31,793</b>	—

**20. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS** (continued)**(a) Trade and bills receivables**

	2015 HK\$'000	2014 HK\$'000
Trade and bills receivables	<b>128,816</b>	72,683
Less: Allowance for doubtful debts (note (c))	<b>(11,206)</b>	(2,170)
Trade and bills receivables, net	<b>117,610</b>	70,513

The Group's bills receivables are on sight letter of credit, usance letter of credit up to a tenor of 180 days (2014: 180 days) and bank's acceptance bills up to a tenor of 30 to 60 days (2014: 30 to 60 days). For other trade receivables, the Group allows a credit period ranging from 30 to 90 days (2014: 30 to 90 days). Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers are reviewed once a year.

None of the Group's bills receivables as at 31 December 2015 and 2014 have been discounted to the financial institutions.

The ageing analysis of trade and bills receivables (net of allowance for doubtful debts), based on invoice dates, as of the end of the reporting period is as follows:

	2015 HK\$'000	2014 HK\$'000
0–30 days	<b>66,092</b>	28,040
31–60 days	<b>8,296</b>	9,831
61–90 days	<b>167</b>	1,311
91–120 days	<b>14,087</b>	—
Over 120 days	<b>28,968</b>	31,331
	<b>117,610</b>	70,513

The ageing of trade and bills receivables which are past due but not impaired are as follows:

	2015 HK\$'000	2014 HK\$'000
Less than 30 days past due	<b>203</b>	709
31 to 60 days past due	<b>932</b>	1,428
61 to 90 days past due	<b>167</b>	1,311
Over 120 days past due	<b>20,856</b>	31,331
	<b>22,158</b>	34,779

## Notes to the Financial Statements

For the year ended 31 December 2015

### 20. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

#### (a) Trade and bills receivables (continued)

As at 31 December 2015, trade and bills receivables of HK\$95,452,000 (2014: HK\$35,734,000) are neither past due nor impaired. These relate to a number of customers and based on historical information, default risk of these trade and bills receivables is insignificant. Accordingly, no impairment provision is necessary in respect of these receivables.

Trade receivables that were past due but not impaired at the end of the reporting period mainly relate to a customer, Guangzhou Jinhe Feed Company Limited ("Jinhe") and further details are set out in note (c) below.

#### (b) Prepayments, deposits and other receivables

	2015 HK\$'000	2014 HK\$'000
Prepayments and deposits	1,614	2,644
Other receivables	80,120	78,620
	<b>81,734</b>	81,264
Less: Allowance for doubtful debts (note (c))	<b>(4,171)</b>	(572)
	<b>77,563</b>	80,692

#### (c) Impairment of trade and other receivables

The movement in the allowance for doubtful debts is as follows:

	Trade and bills receivables		Other receivables	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Balance at 1 January	2,170	3,582	572	777
Provision for impairment loss	9,446	—	3,751	—
Reversal of impairment loss previously recognised	—	(1,355)	—	(187)
Exchange realignment	(410)	(57)	(152)	(18)
Balance at 31 December	<b>11,206</b>	2,170	<b>4,171</b>	572

Impairment provision made at the end of the reporting period relates to:

- (i) trade and other receivables due from Jinhe of HK\$43,776,000 (2014: HK\$45,961,000), of which HK\$14,511,000 (2014: HK\$1,992,000) has been provided; and

## 20. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

### (c) Impairment of trade and other receivables *(continued)*

- (ii) trade receivables due from other customers of HK\$866,000 (2014: HK\$750,000) which have been fully provided as the customers are in financial difficulties.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the reporting date.

Included in trade receivables and other receivables as at 31 December 2015 are gross carrying amounts of HK\$31,194,000 (2014: HK\$32,751,000) and HK\$12,582,000 (2014: HK\$13,210,000) respectively, due from a customer of fishmeal trading, Jinhe. These receivables are past due as at the reporting date and impairment loss amounting to HK\$14,511,000 (2014: HK\$1,992,000) in aggregate has been provided for these balances. The Group holds a guarantee from Mr. Huang Xianning (the "Guarantor") who pledged all his rights and interests in a property investment project (the "Investment Project") to secure the receivables from Jinhe (the "Collateral Arrangement").

The Group has commenced legal proceedings against Jinhe, the Guarantor and Mr. Wong Hiuman (who shares joint and several liabilities over the payment obligation of Jinhe under the fishmeal trading contracts) since 2011. On 16 January 2015, the Shanghai Higher People's Court released a judgement (the "Judgement") that Jinhe has to compensate the Group for the losses arising from price differences of reselling the inventories and the expenses paid by the Group on behalf of Jinhe as well as the import agency fee to the Group, and that Mr. Wong Hiuman should have the responsibility to bear all the above compensations under his obligation. Pursuant to the Judgement, Jinhe and Mr. Wong Hiuman should compensate the Group within 10 days from the date of the Judgement, but they failed to do so. On 9 February 2015, the Group has lodged an application for enforcement to the Shanghai No. 2 Intermediate People's Court to execute the Judgement (the "Enforcement"). On 5 August 2015, Jinhe and Mr. Wong Hiuman have lodged an application for appeal (the "Appeal") to the Supreme People's Court of the PRC in respect of the Judgement, and the Supreme People's Court of the PRC has rejected the Appeal on 17 December 2015. Up to the date of issuance of the consolidated financial statements, the Enforcement is still in progress.

The Group has also applied arbitration (the "Arbitration") against the Guarantor in respect of the Group's right to receive compensation under the Collateral Arrangement on 4 February 2015. In accordance with an order from the tribunal, the Group and the Guarantor have submitted their respective statement of opinion to the arbitration to the tribunal before 17 August 2015 and an arbitration hearing has been held on 13 November 2015. Subsequent to the hearing on 13 November 2015, the Group and the Guarantor have submitted their respective statement of further opinion to the arbitration. Up to the date of issuance of the consolidated financial statements, the Arbitration is still in progress and the tribunal has not yet formed any award in respect of the Group's right to receive compensation under the Collateral Arrangement.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 20. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

#### (c) Impairment of trade and other receivables (continued)

Based on opinion of the Group's PRC legal counsel, it may take a substantial period of time for the tribunal to form an award to the Arbitration. The PRC legal counsel also opined that even if an award is formed by the tribunal, the Guarantor may disagree with or not follow the award to fulfill his obligation under the Collateral Arrangement, and the Group will then have to apply for a civil enforcement to a court for obtaining or selling the Guarantor's interest in the Investment Project so as to recover the amounts due from Jinhe. After taking into account of the opinion of the Group's PRC legal counsel, the management considered that the Group will be able to recover the amounts due from Jinhe, but in a substantial period of time which subject to the progress of the Arbitration and the possible legal actions to be taken against the Guarantor in respect of the Collateral Arrangement, if any. Having considered the estimated time for the Arbitration and the possible legal actions to be taken against the Guarantor in respect of the Collateral Arrangement, the management has calculated the present value of trade receivables and other receivables due from Jinhe by discounting its estimated future cash flows by ten years (2014: one and a half years) using a pre-tax discount rate of 3% (2014: 3%) per annum to reflect the time value of money. As a result of the discount, the Group has provided impairment on the trade receivables and other receivables due from Jinhe of HK\$10,340,000 (2014: HK\$1,420,000) and HK\$4,171,000 (2014: HK\$572,000) respectively as at 31 December 2015.

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

	2015 HK\$'000	2014 HK\$'000
Equity securities held for trading, at fair value		
— Listed in Hong Kong	—	362
Debt securities held for trading, at fair value		
— Listed in Hong Kong	191,043	162,682
— Listed outside Hong Kong	7,729	—
	<b>198,772</b>	162,682
	<b>198,772</b>	163,044

### 22. DERIVATIVE FINANCIAL ASSETS

	2015 HK\$'000	2014 HK\$'000
<b>Derivative financial assets</b>		
Cross-currency interest rate swap arrangements	—	38

At 31 December 2015, the Group did not have any outstanding cross-currency interest rate swap arrangements.

## 22. DERIVATIVE FINANCIAL ASSETS (continued)

During the year ended 31 December 2014, the Group entered into cross-currency interest rate swap arrangements with a bank in order to earn interest differentials between RMB bank deposits and USD bank loans. Under the arrangements, the Group simultaneously placed fixed-rate RMB deposits, arranged floating-rate USD bank loans and entered into foreign currency forward contracts and interest rate swap contracts with same notional amount and maturity period with the bank. In effect, the Group is not exposed to exchange rate fluctuation despite the deposits and the bank loans are denominated in different currencies and the Group is able to earn interest differentials arising from RMB deposits and the USD bank loans. These contracts are arranged by the Group with the bank as a package and they cannot be terminated until the respective maturity dates and must be settled simultaneously. These cross-currency interest rate swap arrangements are accounted for as single derivative financial instruments measured at fair value through profit or loss.

As at 31 December 2014, the notional amount of the two outstanding cross-currency interest rate swap arrangements amounted to approximately RMB199,204,000. The maturity of the arrangements is one month subsequent to 31 December 2014. The fair value of the Group's cross-currency interest rate swap arrangements as at 31 December 2014 is estimated to be financial assets of approximately HK\$38,000.

The fair values of the cross-currency interest rate swap arrangements are determined based on valuation techniques described in note 37.

## 23. RESTRICTED BANK DEPOSIT/STRUCTURED BANK DEPOSITS/BANK BALANCES AND CASH

### Restricted bank deposit

Restricted bank deposit as at 31 December 2015 and 31 December 2014 represented a time deposit with original maturity of one year (2014: 2 years) up to November 2016 (2014: November 2015) charged to the Heyuan Intermediate People's Court as guarantee for the application of the second assets preservation order to seal up the collateral pledged by the Guarantor (note 20(c)). The restricted bank deposit carried fixed interest rate at 2% (2014: 4.13%) per annum.

### Structured bank deposits

At 31 December 2015, the Group did not have any structured bank deposits.

The structured bank deposits as at 31 December 2014 are principal-protected yield enhancement bank deposits which comprise:

- (i) Structured bank deposits HK\$62,375,000 carried a minimum interest rate at 1.8% per annum and could be enhanced to a maximum interest rate ranging from 4.85% to 4.90% per annum which is to be determined by reference to the market exchange rate of USD/Australian Dollar ("AUD") during a pre-determined period ranging from two months to four months. The structured bank deposits contained embedded derivatives representing a return which would vary with prevailing market exchange rate of USD/AUD.
- (ii) Structured bank deposits of HK\$174,650,000 which contains an option that enable the bank to recall the deposit prior to the maturity date. Such bank deposits carries interest rate ranging from 4.85% to 5.00% per annum and has original maturity of ranging from 66 days to 88 days.

The directors of the Company consider that the fair value of the derivatives embedded in these structured bank deposits is minimal and hence no derivative financial instrument is recognised.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 23. RESTRICTED BANK DEPOSIT/STRUCTURED BANK DEPOSITS/BANK BALANCES AND CASH (continued)

#### Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Cash at banks earned interest at floating rates based on daily bank deposit rates. Short-term bank deposits earn market interest rates ranging from 0.01% to 0.79% (2014: 0.64% to 0.90%) per annum.

Included in bank deposits, bank balances and cash of the Group, HK\$ 52,581,000 (2014: HK\$346,211,000) are denominated in RMB and deposited with banks in the PRC. RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into foreign currencies through the banks authorised to conduct foreign exchange business.

### 24. TRADE AND BILLS PAYABLES

The ageing analysis of trade and bills payables, based on invoice dates, as at the end of the reporting period is as follows:

	2015 HK\$'000	2014 HK\$'000
0–30 days	40,160	63,464
31–60 days	156	3,463
Over 120 days	2,448	6,265
	<b>42,764</b>	73,192

In respect of trade payables, the average credit period is 30 days (2014: 30 days).

### 25. BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Bank loans, secured	114,293	192,112
Less: Current portion	(18,652)	(77,831)
Non-current portion	<b>95,641</b>	114,281

**25. BORROWINGS** (continued)

Based on the scheduled repayment dates set out in loan agreements, borrowings are repayable as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	<b>18,652</b>	77,831
More than one year, but not exceeding two years	<b>15,525</b>	18,653
More than two years, but not exceeding five years	<b>44,098</b>	46,937
More than five years	<b>36,018</b>	48,691
	<b>114,293</b>	192,112

All of the banking facilities are subject to the fulfillment of covenants relating to certain of the Group's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the banks will exercise their discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 38(f). As at 31 December 2015, none of the covenants relating to drawn down facilities had been breached (2014: none).

The currencies analysis of borrowings of the Group as of the reporting period are as follows:

	2015 HK\$'000	2014 HK\$'000
HK\$	<b>82,381</b>	138,025
USD	<b>31,912</b>	54,087
	<b>114,293</b>	192,112

Included in the Group's borrowings as at 31 December 2015 are variable-rate borrowings of HK\$114,293,000 (2014: HK\$152,112,000), which carry interest at HIBOR or LIBOR plus certain basis points and thus are subject to cash flow interest rate risk. No fixed-rate borrowing was noted as at 31 December 2015. The Group's fixed-rate borrowing as at 31 December 2014 amounted to HK\$40,000,000 which is interest-bearing at 2.24% per annum.



## Notes to the Financial Statements

For the year ended 31 December 2015

### 25. BORROWINGS (continued)

The effective interest rates per annum at the end of the reporting period on the borrowings of the Group were as follows:

	HK\$	USD
<b>As at 31 December 2015</b>		
Variable-rate borrowings:		
Bank loans	1.58%	1.33%
<b>As at 31 December 2014</b>		
Variable-rate borrowings:		
Bank loans	1.74%	1.07%
Fixed-rate borrowings:		
Bank loan	2.24%	—

The Group's borrowings are secured by certain investment properties and land and buildings as further details in note 31. Guarantees were also given by the Company in respect of certain subsidiaries' borrowings as below:

	2015 HK\$'000	2014 HK\$'000
Corporate guarantees given to banks and financial institutions in respect of banking facilities given to subsidiaries	1,799,273	1,921,851

As at 31 December 2015, the banking facilities granted to subsidiaries subject to guarantees given to banks and financial institutions by the Company were utilised to the extent of HK\$75,282,000 (2014: HK\$163,008,000).

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2015 HK\$'000	2014 HK\$'000
HK\$	3,243	47,683

At the end of the reporting period, the Group has the following undrawn banking facilities:

	2015 HK\$'000	2014 HK\$'000
Expiring within one year	1,209,614	1,263,965

The facilities expiring within one year are annual facilities subject to review at various dates during 2016.

## 26. SHARE CAPITAL

	2015		2014	
	Number of shares	HK\$'000	Number of shares	HK\$'000
<b>Authorised</b>				
<b>Ordinary shares of HK\$0.2 each:</b>				
At 1 January	—	—	500,000,000	100,000
The concept of authorised share capital was abolished on 3 March 2014 ( <i>note</i> )	—	—	(500,000,000)	(100,000)
At 31 December	—	—	—	—
<b>Issued and fully paid:</b>				
At 1 January	261,684,910	71,853	261,684,910	52,337
Transfer from share premium account on 3 March 2014 ( <i>note</i> )	—	—	—	19,516
At 31 December	261,684,910	71,853	261,684,910	71,853

*Note:*

Under Section 135 of the Hong Kong Companies Ordinance, Cap. 622 (the "New Companies Ordinance"), which commenced operation on 3 March 2014, the concept of "authorised share capital" and "par value" no longer exist. As part of the transition to no-par value regime, the amount standing to the credit of the share premium account on 3 March 2014 amounting to HK\$19,516,000 have become part of the Company's share capital, under the transitional provisions set out in Schedule 11 of the New Companies Ordinance. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

### Share options

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employee (whether full time or part time employee) or executive director of the Company or any of its subsidiaries or any invested entity (any entity in which the Group holds any equity interest); any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any invested entity of the Company; any supplier of goods or services to any member of the Group or any invested entity; any customer of the Group or any invested entity; any person or entity that provides research, development, or other technological support to the Group or any invested entity; and any shareholder of any member of the Group or any invested entity or any holder of securities issued by any member of the Group or any invested entity. The Scheme was adopted and approved by the shareholders of the Company on 14 May 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of ordinary shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company (the "Limit") must not in aggregate exceed 26,168,491 shares, representing 10% of the ordinary shares of the Company in issue as at the date of this annual report. The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant in the Scheme (including exercised, cancelled and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in the 12-month period up to and including the date of such further grant in excess of this Limit is subject to shareholders' approval in a general meeting.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 26. SHARE CAPITAL (continued)

#### Share options (continued)

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is subject to approval in advance by the independent non-executive directors, other than an independent non-executive director who is proposed to be a grantee. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in a 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, is subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the board of directors, save that such a period shall not be more than 10 years from the date of offer of the share options subject to the provisions for early termination as set out in the Scheme. Unless otherwise determined by the board of directors at its sole discretion, there is no requirement of minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price of the share options is determinable by the board of directors, but shall not be less than the highest of:

- (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the share options which must be a trading day;
- (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer; and
- (iii) the nominal value of the Company's shares.

No share options have been granted under the Scheme since its adoption.

### 27. RESERVES

#### The Group

The nature of reserves is as follows:

#### Share premium

Prior to 3 March 2014, the application of the share premium account was governed by s.48B of the Hong Kong Companies Ordinance, Cap. 32. In accordance with the transitional provisions set out in s.37 of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622 any amount standing to the credit of the share premium account at the beginning of 3 March 2014 became part of the Company's share capital. The use of this share premium balance is governed by s.38 of Schedule 11 to the New Companies Ordinance.

**27. RESERVES** (continued)**The Group** (continued)*Exchange reserve*

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy adopted in note 3.11.

*Properties revaluation reserve*

Properties revaluation reserve represents gains or losses arising on the revaluation of properties (other than investment properties).

*Investment revaluation reserve*

Investment revaluation reserve represents gains or losses arising on remeasuring financial assets classified as available-for-sale financial assets at fair value.

**The Company**

Details of movements in the Company's reserves are as follows:

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2014	19,516	504,416	523,932
Transfer upon abolition of nominal value of shares on 3 March 2014 (note 26)	(19,516)	—	(19,516)
Profit for the year	—	5,932	5,932
2013 final dividends (note 13)	—	(26,168)	(26,168)
At 31 December 2014 and 1 January 2015	—	484,180	484,180
Profit for the year	—	292,831	292,831
2014 final dividends (note 13)	—	(31,402)	(31,402)
<b>At 31 December 2015</b>	<b>—</b>	<b>745,609</b>	<b>745,609</b>

## Notes to the Financial Statements

For the year ended 31 December 2015

### 28. DEFERRED TAXATION

The following are the major deferred tax liabilities/(assets) recognised by the Group and movements thereon during the two years ended 31 December 2015 and 2014:

	Accelerated tax depreciation HK\$'000	Revaluation of investment properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2014	10,382	45,785	(209)	55,958
Exchange realignment	(215)	(1,176)	—	(1,391)
Charged to profit or loss (note 11)	1,390	6,997	116	8,503
At 31 December 2014 and 1 January 2015	11,557	51,606	(93)	63,070
Exchange realignment	(487)	(2,623)	—	(3,110)
Charged/(Credited) to profit or loss (note 11)	1,630	5,077	(82)	6,625
<b>At 31 December 2015</b>	<b>12,700</b>	<b>54,060</b>	<b>(175)</b>	<b>66,585</b>

Represented by:

	At 31 December 2015 HK\$'000	At 31 December 2014 HK\$'000
Deferred tax liabilities	67,037	63,163
Deferred tax assets	(452)	(93)
Deferred taxation	66,585	63,070

As at 31 December 2015, the Group has unused tax losses of HK\$16,281,000 (2014: HK\$18,670,000) available for offset against future profits. A deferred tax asset of approximately HK\$452,000 (2014: HK\$93,000) has been recognised in respect of approximately HK\$2,739,000 (2014: HK\$565,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$13,542,000 (2014: HK\$18,105,000) due to the unpredictability of future profit streams. Losses amounting to HK\$2,228,000 (2014: HK\$1,094,000) will expire from 2016 to 2020 (2014: 2015 to 2019) and losses amounting to HK\$14,053,000 (2014: HK\$17,576,000) have no expiry date.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of certain PRC subsidiaries amounting to HK\$1,406,000 (2014: HK\$2,061,000) as the Group is able to control the timing of the reversal of the temporary differences and it is not probable that these subsidiaries will distribute such profits in foreseeable future.

## 29. OPERATING LEASE ARRANGEMENTS

### As lessee

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

	2015 HK\$'000	2014 HK\$'000
Within one year	2,570	1,388
In the second to fifth year inclusive	186	39
	<b>2,756</b>	1,427

Operating lease payments represent rental payable by the Group for certain land and buildings. Leases for these land and buildings are negotiated for terms of one to two (2014: one to two) years with fixed rentals.

### As lessor

The Group leases its investment properties and at the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receivable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	32,755	39,010
In the second to fifth year inclusive	61,633	66,312
Over five years	22,593	9,517
	<b>116,981</b>	114,839

Leases are negotiated for an average term ranging from one to ten (2014: one to ten) years with fixed rentals over the terms of the leases.

## 30. RETIREMENT BENEFIT SCHEME

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee.

Employees who were members of a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance prior to the establishment of the MPF Scheme were required to switch to the MPF Scheme from 1 December 2000 onwards, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 30. RETIREMENT BENEFIT SCHEME (continued)

For members of the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK\$1,500 (from 1 June 2012 to 31 May 2014: HK\$1,250) per month whichever is the smaller to the scheme.

The employees of the subsidiaries of the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total cost charged to profit or loss of HK\$1,258,000 (2014: HK\$1,480,000) represents contributions paid/payable to the above retirement benefit schemes, by the Group during the year.

### 31. PLEDGE OF ASSETS

At 31 December 2015, the Group has pledged the following assets and assigned rental income from letting of properties in favour of banks and financial institutions to secure for borrowings and banking facilities:

	2015 HK\$'000	2014 HK\$'000
Investment properties (note 14)	798,850	844,502
Leasehold land and buildings (note 15)	40,804	41,280

**32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

	Notes	At 31 December 2015 HK\$'000	At 31 December 2014 HK\$'000
<b>Non-current assets</b>			
Interests in subsidiaries	33	108,436	108,436
Deferred tax assets		2	—
		<b>108,438</b>	108,436
<b>Current assets</b>			
Trade and other receivables, prepayments and deposits		388	1,072
Amounts due from subsidiaries		834,674	653,660
Bank balances and cash		1,738	2,363
		<b>836,800</b>	657,095
<b>Current liabilities</b>			
Other payables and accrued expenses		6,568	4,538
Amounts due to subsidiaries		86,042	158,888
Borrowings		9,761	10,921
Tax payable		11	9
		<b>102,382</b>	174,356
<b>Net current assets</b>		<b>734,418</b>	482,739
<b>Total assets less current liabilities</b>		<b>842,856</b>	591,175
<b>Non-current liabilities</b>			
Borrowings		25,394	35,142
<b>Net assets</b>		<b>817,462</b>	556,033
<b>Capital and reserves</b>			
Share capital	26	71,853	71,853
Reserves	27	745,609	484,180
<b>Total equity</b>		<b>817,462</b>	556,033

Approved and authorised for issue by the board of directors on 22 March 2016 and signed on its behalf by:

John Ming Tak HO

Patrick Kwok Wai POON



## Notes to the Financial Statements

For the year ended 31 December 2015

### 33. INTERESTS IN SUBSIDIARIES

	2015 HK\$'000	2014 HK\$'000
Unlisted shares, at cost	<b>127,423</b>	131,295
Less: Impairment losses recognised	<b>(18,987)</b>	(22,859)
	<b>108,436</b>	108,436

As at 31 December 2015, the directors of the Company assessed the recoverable amount of the Company's interests in subsidiaries with reference to the directors' estimate of discounted future cash flows and net assets of these investments as at the end of the reporting period. Based on the impairment assessment, no additional impairment loss has been recognised during the year (2014: nil) in respect of these investments.

Particulars of the subsidiaries at 31 December 2015 and 2014 are as follows:

Name of company	Place/Country of incorporation/ operations	Issued share capital	Percentage of issued share capital held by the Company		Principal activities
			2015	2014	
<i>Held directly:</i>					
Adamgate Limited	British Virgin Islands	1 ordinary share of US\$1	<b>100%</b>	100%	Investment holding
Dajen Properties Limited	British Virgin Islands	1 ordinary share of US\$1	<b>100%</b>	100%	Investment holding
Datong Global Holdings Limited	British Virgin Islands	1 ordinary share of US\$1	<b>100%</b>	—	Investment holding
G.C. Luckmate Trading (China) Limited	Hong Kong	Ordinary shares of HK\$2	<b>100%</b>	100%	Animal feed trading
G C Nominees Limited	Hong Kong	Ordinary shares of HK\$100	<b>100%</b>	100%	Investment holding
Halesite Limited	Hong Kong	Ordinary shares of HK\$4,000,000	<b>100%</b>	100%	Property investment
Poppins Properties Limited	British Virgin Islands	55,603 ordinary shares of US\$1 each	<b>100%</b>	100%	Investment holding
Sunison Development Limited	Hong Kong	Ordinary shares of HK\$100	<b>100%</b>	100%	Investment holding
Tai Loy Trading Company Limited	Hong Kong	Ordinary shares of HK\$43,344,000	<b>100%</b>	100%	Investment holding
Treasure Jubilee Limited	British Virgin Islands	1 ordinary share of US\$1 each	<b>100%</b>	100%	Investment holding
Xingao Limited	British Virgin Islands	1 ordinary share of US\$1 each	<b>100%</b>	—	Investment holding

## 33. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place/Country of incorporation/ operations	Issued share capital	Percentage of issued share capital held by the Company		Principal activities
			2015	2014	
<i>Held indirectly:</i>					
Capital Head Investment Limited	Hong Kong	Ordinary shares of HK\$2	100%	100%	Property investment in Shanghai, China
Concord Trinity Development Limited	Hong Kong	Ordinary shares of HK\$2 and non-voting deferred shares of HK\$2 (note)	100%	100%	Property investment in Shanghai, China
G.C. Luckmate Trading Limited	Hong Kong	Ordinary shares of HK\$4,000,000	100%	100%	Animal feed trading
G.C. Luckmate Trading (Asia) Limited	Hong Kong	Ordinary shares of HK\$2	100%	100%	Animal feed trading
G.C. Luckmate Trading (International) Limited	Hong Kong	Ordinary shares of HK\$2	100%	100%	Animal feed trading
Glory South Investment Limited	Hong Kong	Ordinary shares of HK\$2	100%	100%	Property investment
Great China Commodities Limited	British Virgin Islands	10,000 ordinary shares of US\$1 each	100%	100%	Investment holding
Haode Property Management (Shanghai) Company Limited*	PRC	Registered capital of US\$500,000	100%	100%	Real estate agent in Shanghai, China
Honour Alliance Development Limited	Hong Kong	Ordinary shares of HK\$100	100%	100%	Property investment
Jasmine Ocean Limited	British Virgin Islands	1 ordinary share of US\$1	100%	100%	Ship chartering
Jelson Enterprises Limited	Hong Kong	Ordinary shares of HK\$2 and non-voting deferred shares of HK\$2 (note)	100%	100%	Property investment in Shanghai, China
Morning Sky Holdings Limited	British Virgin Islands	1 ordinary share of US\$1	100%	100%	Investment holding
Silver Regent Development Limited	Hong Kong	Ordinary shares of HK\$100	100%	100%	Property investment
上海裕景貿易有限公司*	PRC	Registered capital of RMB3,000,000	100%	100%	Animal feed trading
博平置業(上海)有限公司*	PRC	Registered capital of US\$8,460,000	100%	100%	Property investment in Shanghai, China
Shanghai Zenith Trading Co., Ltd*	PRC	Registered capital of US\$150,000	100%	100%	Animal feed trading

\* A wholly foreign owned enterprise

## Notes to the Financial Statements

For the year ended 31 December 2015

### 33. INTERESTS IN SUBSIDIARIES (continued)

Note: The deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year (2014: nil).

### 34. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties:

Key management compensation, representing directors' remuneration

	2015 HK\$'000	2014 HK\$'000
Fees	720	720
Salaries and other benefits	9,754	13,303
Retirement benefit costs — defined contribution plans	44	51
	<b>10,518</b>	14,074

### 35. CAPITAL COMMITMENTS

	2015 HK\$'000	2014 HK\$'000
Commitments for the acquisition of property, plant and equipment	462	—

### 36. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 25 net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued capital, reserves and retained profits as disclosed in note 27 and consolidated statement of changes in equity.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

**36. CAPITAL RISK MANAGEMENT (continued)**

The capital-to-overall financing ratio at reporting date was as follows:

	2015 HK\$'000	2014 HK\$'000
<b>Capital</b>		
Total equity	1,535,565	1,594,488
<b>Overall financing</b>		
Borrowings	114,293	192,112
Capital-to-overall financing ratio	13.44	8.30

The Group's overall strategy remains unchanged from that of 2014.

**37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY**

The following table shows the carrying amounts of financial assets and financial liabilities:

	2015 HK\$'000	2014 HK\$'000
<b>Financial assets</b>		
Financial assets at fair value through profit or loss		
— Held for trading	198,772	163,082
Loans and receivables (including bank deposits and cash at banks)	450,334	647,383
Available-for-sale financial assets	39,726	12,397
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	196,572	308,991

**(a) Financial instruments not measured at fair value**

Financial instruments not measured at fair value include trade and other receivables, bank deposits, bank balances and cash, trade and bills payables, other payables and accrued expenses, rental deposits received and borrowings.

Due to their short-term nature, the carrying values of the above financial instruments excluding those borrowings and rental deposits received which are classified as non-current liabilities approximate their fair values.

The fair values of those borrowings and rental deposits received which are classified as non-current liabilities have been determined by using discounted cash flow models and is classified as Level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the Group as well as the borrowers. In the opinion of the directors, the carrying values of the Group's borrowings and rental deposits received which are classified as non-current liabilities approximate their fair values.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (continued)

#### (b) Financial instruments measured at fair value

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The fair value of these financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets including OTC are determined with reference to quoted market prices;
- the fair value of derivative financial instruments which are not quoted in active market are determined in accordance with generally accepted pricing model based on discounted cash flow analysis using inputs from observable current market transactions and dealer quotes for similar instruments;
- the fair value of interest rate swap contracts is calculated at the present value of the estimated future cash flows based on observed yield curves.

The following table provides an analysis of financial instruments that are measured subsequently to initial recognition at fair value by level of hierarchy:

Level 1:	Quoted prices (unadjusted) in active market for identical assets or liabilities;
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3:	Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	31 December 2015		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
<b>Available-for-sale financial assets</b>			
— Club debentures	—	1,896	1,896
<b>Financial assets at fair value through profit or loss</b>			
— Listed debt securities	198,772	—	198,772

### 37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (continued)

#### (b) Financial instruments measured at fair value (continued)

	31 December 2014		Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	
<b>Available-for-sale financial assets</b>			
— Club debentures	—	1,867	1,867
<b>Financial assets at fair value through profit or loss</b>			
— Listed equity securities	362	—	362
— Listed debt securities	162,682	—	162,682
— Derivative financial assets	—	38	38
	163,044	38	163,082

There were no transfer between Level 1, Level 2 and Level 3 during the year.

### 38. FINANCIAL RISK MANAGEMENT

#### (a) Financial risk management objectives

The management monitors and manages the financial risks arising from financial instruments entered into in the normal course of operations and in its investment activities through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures.

#### (b) Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases as well as investments denominated in foreign currencies, which expose the Group to foreign currency risk.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 38. FINANCIAL RISK MANAGEMENT (continued)

#### (b) Foreign currency risk (continued)

##### (i) Non-derivative foreign currency monetary assets and monetary liabilities

Certain bills receivables, investment in equity and debt securities, bank balances, other payables and borrowings of the Group are denominated in currencies other than the functional currency of the group entities. The currencies giving rise to this risk mainly include HK\$, USD and RMB. As HK\$ is pegged to USD, exposure in respect of these currencies is considered insignificant. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities in net position (excluding HK\$ and USD) at the reporting date are as follows:

	2015 HK\$'000	2014 HK\$'000
Net monetary assets		
RMB	15	6,520

##### Foreign currency sensitivity

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% (2014: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% (2014: 5%) change in foreign currency rates.

	Decrease in profit for the year	
	2015 HK\$'000	2014 HK\$'000
Functional currency appreciated by 5% (2014: 5%)		
RMB	1	272

A 5% (2014: 5%) depreciation in the functional currencies of the respective group companies against respective foreign currencies would have the same magnitude on profit but of opposite effect.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

##### (ii) Embedded derivatives in structured bank deposits

The Group is also required to estimate the fair value of the embedded derivatives in structured bank deposits at the end of the reporting period, which therefore exposed the Group to foreign currency risk. However, the directors of the Company consider that the fair value of the embedded derivatives is minimal and hence no sensitivity analysis is presented.

## 38. FINANCIAL RISK MANAGEMENT (continued)

### (c) Interest rate risk

#### (i) Non-derivative financial assets and financial liabilities

The Group is exposed to fair value interest rate risk in relation to interest-free balances including fixed-rate restricted bank deposit, structured bank deposits and borrowings.

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings (note 25) and bank balances.

The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of deposit interest rate.

#### *Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative variable-rate instruments including borrowings at the end of the reporting period, assuming the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 (2014: 50) basis point increase and a 10 (2014: 10) basis points decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 (2014: 50) basis points higher and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease by HK\$477,000 (2014: HK\$635,000). If interest rates had been 10 (2014: 10) basis points lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would increase by HK\$95,000 (2014: HK\$127,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

#### (ii) Derivative financial assets — cross currency interest rate swap arrangements

The management considers the exposure of this instrument to interest rate risk to be minimal.

### (d) Other price risk

The Group is required to estimate the fair value of those available-for-sale financial assets carried at fair value, representing club debentures as well as the financial assets at fair value through profit or loss, representing listed or traded on OTC equity and debt securities at the end of the reporting period. Therefore, the Group is exposed to price risk arising from its available-for-sale financial assets and financial assets at fair value through profit or loss.

#### *Price sensitivity*

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.



## Notes to the Financial Statements

For the year ended 31 December 2015

### 38. FINANCIAL RISK MANAGEMENT *(continued)*

#### (d) Other price risk *(continued)*

##### *Price sensitivity (continued)*

If the prices of the club debentures and listed equity and debt securities had been 10% (2014: 10%) higher while all other variables were held constant, investment revaluation reserve would increase by HK\$178,000 (2014: HK\$175,000) and profit for the year would increase by HK\$19,889,000 (2014: HK\$16,316,000) mainly as a result of increase in the fair value on available-for-sale financial assets as well as financial assets at fair value through profit or loss and impairment loss, taking into account reversal of impairment made for available-for-sale financial assets.

If the prices of the above instruments had been 10% (2014:10%) lower while all other variables were held constant, the magnitude of the impact on investment revaluation reserve and profit for the year would be the same but of opposite effect.

#### (e) Credit risk

As at 31 December 2015, the Group's credit risk exposure which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties mainly arise from the respective recognised financial assets as stated in the consolidated statement of financial position.

In respect of trade and bills receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collateral from customers.

The Group has adopted a policy of only dealing with creditworthy counterparties, as a mean of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by credit limit allowed to counterparty that are reviewed and approved by the risk management committee annually.

The credit risk on bank balances and derivative financial instruments is limited because the counterparties are banks and financial institutions with good reputation. Investment in debt or equity securities are mainly listed or traded on recognised stock exchange. Accordingly, the directors do not expect any investment counterparty to fail to meet its obligations.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 100% (2014: 100%) of the total trade and bills receivables as at 31 December 2015.

As at 31 December 2015, the maximum exposure to credit risk in respect of financial guarantees issued by the Company to secure for the facilities utilised by the subsidiaries at the end of the reporting period was HK\$75,282,000 (2014: HK\$163,008,000) which represented the maximum amount the Company could be required to pay if the guarantees were called on. Details of the financial guarantees issued by the Company to its subsidiaries are disclosed in note 25.

**38. FINANCIAL RISK MANAGEMENT (continued)****(f) Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and undrawn borrowing facilities by continuously monitoring forecast and actual cash flows. The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2015, the Group has available unutilised overdraft and short-term bank and other loan facilities of approximately HK\$1,209,614,000 (2014: HK\$1,263,965,000). Details of borrowings are set out in note 25.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment dates. The tables have 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. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks and financial institutions choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The following tables also detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that required gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	On demand or less than						Total undiscounted cash flows	Carrying amount
	60 days	61–180 days	181–365 days	1–2 years	2–3 years	Over 3 years		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 December 2015								
Non-derivative financial liabilities								
Trade and bills payables	42,764	—	—	—	—	—	42,764	42,764
Other payables and accrued expense	31,141	—	—	—	—	—	31,141	31,141
Borrowings	3,613	7,211	9,584	17,019	16,885	67,836	122,148	114,293
Rental deposits received	155	1,915	1,155	3,380	—	1,769	8,374	8,374
	77,673	9,126	10,739	20,399	16,885	69,605	204,427	196,572

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For the year ended 31 December 2015

### 38. FINANCIAL RISK MANAGEMENT (continued)

#### (f) Liquidity risk (continued)

	On demand or less than 60 days HK\$'000	61–180 days HK\$'000	181–365 days HK\$'000	1–2 years HK\$'000	2–3 years HK\$'000	Over 3 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>31 December 2014</b>								
<b>Non-derivative financial liabilities</b>								
Trade and bills payables	73,192	—	—	—	—	—	73,192	73,192
Other payables and accrued expenses	34,577	—	—	—	—	—	34,577	34,577
Borrowings	59,782	8,067	12,065	20,403	17,018	84,797	202,132	192,112
Rental deposits received	34	492	711	3,237	2,779	1,857	9,110	9,110
	167,585	8,559	12,776	23,640	19,797	86,654	319,011	308,991
<b>Derivative — gross settlement</b>								
— Inflow	(38)	—	—	—	—	—	(38)	
— outflow	—	—	—	—	—	—	—	
	(38)	—	—	—	—	—	(38)	(38)

None of the Group's borrowings as at 31 December 2015 and 31 December 2014 are repayable on demand.

The amounts included above for variable-interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable-interest rates differ to those estimates of interest rates determined at the end of the reporting.

### 39. EVENTS AFTER THE REPORTING DATE

- (i) On 21 January 2016, Fulcrest, which holds 138,347,288 shares of the Company, representing approximately 52.87% of the issued share capital of the Company (referred to as "Sale Shares"), and Hopevision Group Ltd. (the "Offeror") entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which Fulcrest conditionally agreed to sell and Hopevision Group Ltd. conditionally agreed to acquire the Sale Shares for a consideration of approximately HK\$552,998,120. This transaction is subject to approval by independent shareholders at an extraordinary general meeting.
- (ii) On 21 January 2016, the Company and Fulcrest entered into a disposal agreement (the "Disposal"), pursuant to which the Company conditionally agreed to sell, and Fulcrest conditionally agreed to purchase (i) the entire issued share capital of Datong Global Holdings Limited and Xingao Limited and their subsidiaries (collectively referred to as the "Disposal Group") and (ii) a disposal loan of approximately HK\$260,000,000, being part of the amount due by the Disposal Group to the Company and its remaining subsidiaries as at 21 January 2016, for a consideration of HK\$942,247,000 (subject to adjustment), which constitutes a very substantial disposal, connected transaction and special deal for the Company and is subject to approval by independent shareholders at an extraordinary general meeting. The principal activities of the Disposal Group include (i) leasing of properties in Hong Kong; (ii) provision of agency services; and (iii) trading of fishmeal products.
- (iii) On 21 January 2016, a wholly-owned subsidiary of the Company as lessor and a wholly-owned subsidiary of the Disposal Group as lessee entered into a lease agreement in respect of the lease of a property in Shanghai for a period of six months commencing from the Disposal completion date for a monthly rent of RMB27,400, which constitutes an exempted continuing connected transaction under the Listing Rules and a special deal under the Takeovers Code and shall subject to approval by independent shareholders at an extraordinary general meeting.
- (iv) In the meeting held on 20 January 2016, the directors have proposed a first special dividend of not less than HK\$1.147 per share, totalling not less than HK\$300 million, and a second special dividend of not less than HK\$2.293 per share, totalling not less than HK\$600 million. The first and second special dividends are subject to the approval of independent shareholders as well as the approval of the relevant resolution(s) in relation to, among others, the Sale and Purchase Agreement, the Disposal and the lease agreement by the independent shareholders at an extraordinary general meeting. Details of the first and second special dividend payout dates will be further announced by the Company.
- (v) Immediately upon completion of the acquisition of Sale Shares by the Offeror from Fulcrest (the "Sale and Purchase Completion"), assuming no other changes to the issued share capital of the Company, the Offeror and parties acting in concert with it will be interested in a total of 138,347,288 Shares, representing approximately 52.87% of the issued share capital of the Company. As such, the Offeror will be required to make an unconditional mandatory cash general offer for all the issued shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) (the "Offer Shares") pursuant to Rule 26.1 of the Takeovers Code. Based on information available, the Offer Shares represents approximately 47.13% of the issued share capital of the Company.

Subject to and upon the Sale and Purchase Completion, CCB International Capital Limited, on behalf of the Offeror and in compliance with the Takeovers Code, will make the share offer to acquire all the Offer Shares at HK\$3.998 for every Offer Share held (the "Share Offer Price") and on the terms to be set out in the offer document to be issued in accordance with the Takeovers Code. The Share Offer Price is not less than the consideration per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Offeror and Fulcrest.

## Notes to the Financial Statements

For the year ended 31 December 2015

### 39. EVENTS AFTER THE REPORTING DATE *(continued)*

(v) *(continued)*

On the basis that the Offeror and parties acting in concert with it will own approximately 138,347,288 Shares immediately after the Sale and Purchase Completion, the total consideration of the Offer Shares would be HK\$493,103,813 based on the Share Offer Price and 123,337,622 shares under the share offer, which will be the maximum amount payable by the Offeror under the share offer in the event that the share offer is accepted in full.

It is intended that following the closing of the share offer, the Company will maintain its listing on the Main Board of the Stock Exchange.

Details of the sale and purchase of the Sale Shares, the Disposal, the special dividends, the lease extension and the possible unconditional mandatory cash general offer, together with other relevant information, are set out in the Company's announcement dated 4 February 2016. The circular setting out additional information on the aforesaid transactions, including, among others, the advice of an independent financial adviser, the recommendation of the independent board committee and a notice convening the extraordinary general meeting, shall be despatched to the shareholders of the Company on or before 31 May 2016.

## Schedule of Principal Properties

Details of the principal investment properties and properties held for sale of the Group at 31 December 2015 are as follows:

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest	Lease term
<b>A. INVESTMENT PROPERTIES</b>				
<b>HONG KONG</b>				
Flat A2 on Ground Floor Nos. 479 & 481 Hennessy Road No. 29 Percival Street Hong Kong	409	Shop premises for rental	100%	Long-term lease
Shop Nos. G55, G56, G57 and G58 on Ground Floor, Site A Park Lane Shopper's Boulevard Nos. 111-139, 143-161 and 165-181 Nathan Road Kowloon	3,032	Shop premises for rental	100%	Long-term lease
Portions A3 and A4 of Shop A Ground Floor Wing Wah Building Nos. 14-24 Sai Yeung Choi Street South 40P Shantung Street, Kowloon	326	Shop premises for rental	100%	Long-term lease
Flat No. 04 on 18th Floor Apartment Tower on the Western Side Convention Plaza No. 1 Harbour Road, Hong Kong	1,410	Residential premises for rental	100%	Medium-term lease
Unit F on 57th Floor, The Masterpiece K11, No. 18 Hanoi Road, Kowloon	1,180	Residential premises for rental	100%	Medium-term lease
Car Park Space No. P20 on 2nd Floor King Kong Commercial Centre, No. 9 Des Voeux Road West, Hong Kong	N/A	Commercial building	100%	Long-term lease

## Schedule of Principal Properties

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest	Lease term
<b>A. INVESTMENT PROPERTIES</b> <i>(continued)</i>				
<b>MAINLAND CHINA</b>				
Apartment Nos. 404, 504, 604, 704 and 804 Block No. 2, Kingswell Garden Lane 3887 Hong Mei Road Changning District, Shanghai, the PRC	10,903	Residential premises for rental	100%	Long-term lease
Commercial floor on Level 2 and 3 of Block No. 1, Kingswell Garden Lane 3887 Hong Mei Road Changning District, Shanghai, the PRC	40,734	Residential premises for rental	100%	Long-term lease
Club House on Level 4 and Car Parking Space Nos. 38, 39, 40, 41 and 60 on Basement of Block No. 1 Kingswell Garden Lane 3887 Hong Mei Road Changning District, Shanghai, the PRC	10,958 (club house)	Club house and car parking spaces	100%	Long-term lease
Shopping Arcade on 1st Level (ground floor) of Block No. 1, Kingswell Garden Lane 3887 Hong Mei Road Changning District, Shanghai, the PRC	16,685	Shopping arcade for rental	100%	Long-term lease
Western Portion of Level 1, Western Portion of Level 2, Western Portion of Level 3 and Western Portion of Basement Levels 1–3, Merry Tower No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC	75,722	Shopping arcade and carparks for rental	100%	Medium-term lease
<b>B. PROPERTIES HELD FOR SALE</b>				
<b>MAINLAND CHINA</b>				
Apartment G on 12th Floor, Block 5, Silver Valley Garden Haikou, Hainan, the PRC	1,162	Residential premises for sale	100%	Medium-term lease
Units 14C, 17A, 17D, 23D, 23E, 27C, 27D and 27E, Merry Tower No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC	13,401	Residential apartments for sale	100%	Long-term lease

# Financial Summary

## Results:

	Year ended 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	<b>1,191,819</b>	1,336,486	1,523,808	1,691,863	1,802,709
Cost of sales	<b>(1,120,753)</b>	(1,217,255)	(1,433,906)	(1,537,789)	(1,756,770)
Gross profit	<b>71,066</b>	119,231	89,902	154,074	45,939
Other income	<b>34,187</b>	25,977	37,756	26,441	90,968
Distribution costs	<b>(20,619)</b>	(23,794)	(25,937)	(48,583)	(66,539)
Administrative expenses	<b>(65,122)</b>	(48,433)	(39,476)	(44,897)	(34,335)
Change in fair value of investment properties	<b>(15,996)</b>	61,071	3,176	19,171	76,797
Change in fair value of financial assets at fair value through profit or loss	<b>7,105</b>	9,360	(6,279)	1,590	—
Change in fair value of derivative financial instruments	—	(2,490)	6,760	49	(18,672)
Impairment loss on goodwill	—	—	—	(3,000)	—
Other operating income, net	<b>3,409</b>	48,159	5	(41)	(24)
Gain on disposal of associates after deducting direct expenses and tax	—	—	—	95,462	—
Share of results of associates	—	—	—	107,382	(940)
Finance costs	<b>(2,175)</b>	(2,705)	(7,290)	(14,799)	(21,130)
Profit before income tax	<b>11,855</b>	186,376	58,617	292,849	72,064
Income tax expense	<b>(10,201)</b>	(12,973)	(2,916)	(4,692)	(8,088)
Profit for the year attributable to owners of the Company	<b>1,654</b>	173,403	55,701	288,157	63,976
Earnings per share — Basic and diluted	<b>HK0.63 cent</b>	HK66.26 cents	HK21.29 cents	HK110.12 cents	HK24.45 cents



**Assets and liabilities:**

	<b>As at 31 December</b>				
	<b>2015</b> HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Total assets	<b>1,810,205</b>	1,978,856	1,979,660	2,343,280	2,912,675
Total liabilities	<b>(274,640)</b>	(384,368)	(518,546)	(926,247)	(1,765,074)
Equity attributable to owners of the Company	<b>1,535,565</b>	1,594,488	1,461,114	1,417,033	1,147,601