SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司

(Stock Code: 1207)

ANNUAL REPORT

2015


家乐福

Contents

Corporate Information

Board of Directors

He Binwu *(Chairman)*
Wang Zi Xiong *(Vice-Chairman)*
Peng Xinkuang *(Chief Executive Officer)*
Shi Janson Bing
Chen Chao
Zhu Qiang
Zhao Xiaodong
Zhuo Fumin*
Chan, Charles Sheung Wai*
Guoping*
Ma Lishan*

* *Independent Non-executive Directors*

Authorized Representatives

Wang Zi Xiong
Peng Xinkuang

Legal Adviser

Norton Rose Fulbright Hong Kong

Auditor

Ernst & Young

Principal Bankers

Hong Kong:	The Agricultural Bank of China CITIC Bank International Limited
PRC:	The Agricultural Bank of China The Industrial and Commercial Bank of China The Bank of China Shanghai Pudong Development Bank China Minsheng Bank

Corporate Information

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong

Suite 4006, 40/F, Central Plaza
18 Harbour Road, Wanchai, Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Stock Code

1207

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Introduction of the Group

SRE Group Limited (the "Company") and its subsidiaries (the "Group") are an integrated real estate developer specializing in property development business. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10 December 1999.

Geographically, Shanghai is the base for the Group's real estate development business. The Group has been gradually expanding into capitals of various provinces and regional hubs with strong economic development potentials. While we are mainly a developer for medium-to-high-end residential properties, we have been gradually building more commercial properties such as office buildings, hotels and shopping malls, aiming at becoming a fully integrated trans-regional real estate developer.

Properties developed by the Group under the brand names of "Oasis Garden", "Rich Gate", "Skyway" and "Albany" enjoy a good reputation in both onshore and offshore markets including Shanghai, Shenyang, Haikou, Wuxi and Hong Kong.

Financial Summary

Summary of Results

(Prepared according to accounting principles generally accepted in Hong Kong)

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Turnover, net	**1,763**	1,440	3,344	3,582	6,786
Gross Profit	**(1,357)**	307	956	1,000	1,867
Profit before Taxation	**(2,698)**	568	500	504	738
Taxation	**230**	(424)	(295)	(196)	(319)
Profit after Taxation	**(2,468)**	144	205	308	419
Non-controlling Interests	**103**	(250)	(5)	59	78
(Loss)/profit Attributable to owners of parent	**(2,365)**	(106)	200	367	497
Proposed Dividends	**–**	–	(60)	–	–
(Loss)/earnings per share					
– Basic	**(34.73) Cents**	(1.87) Cents	3.53 Cents	6.85 Cents	11.41 Cents
– Diluted	**(34.73) Cents**	(1.87) Cents	3.53 Cents	6.85 Cents	11.41 Cents

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
Total Assets	**34,800**	37,327	32,040	29,355	43,656
Total Liabilities	**26,760**	27,723	22,487	19,593	30,681
Net Assets	**8,040**	9,604	9,553	9,762	12,975
Cash reserves	**3,050**	2,109	2,941	2,032	2,521
Shareholders' funds	**7,643**	9,037	9,231	9,058	10,489

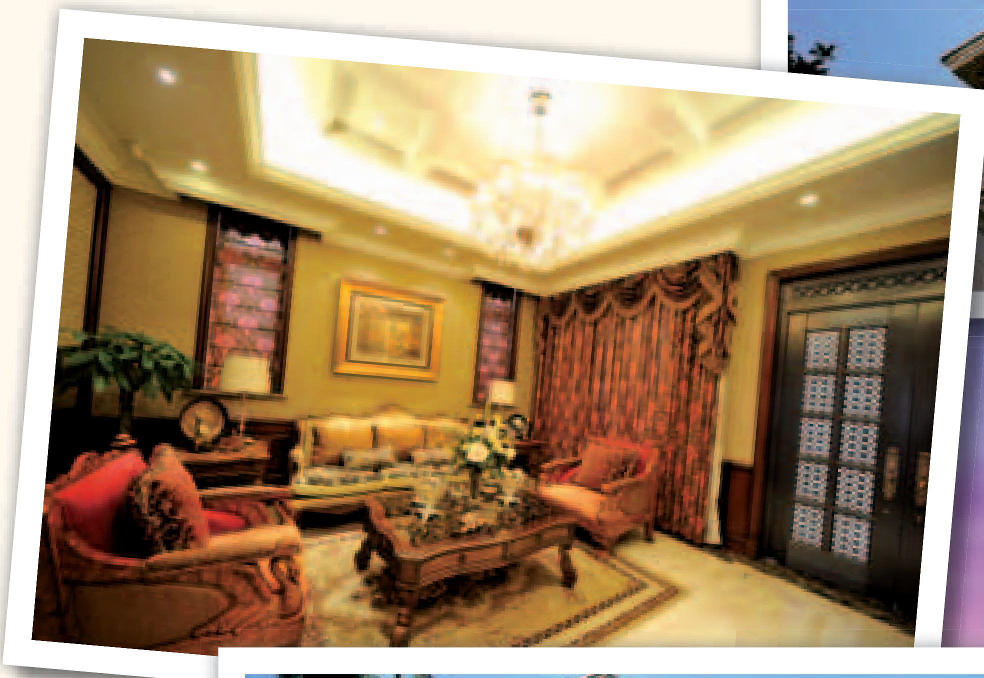
	Year ended 31 December				
	2015	2014	2013	2012	2011
Return on Equity (%)	**(31%)**	(1%)	2%	4%	5%
Current Ratio (times)	**1.24x**	2.10x	2.34x	2.00x	1.82x
Total Liabilities to Net Assets Ratio (times)	**3.33x**	2.89x	2.35x	2.01x	2.36x
Net Debt to Shareholders' Funds Ratio (times)*	**3.10x**	2.83x	2.12x	1.94x	2.68x

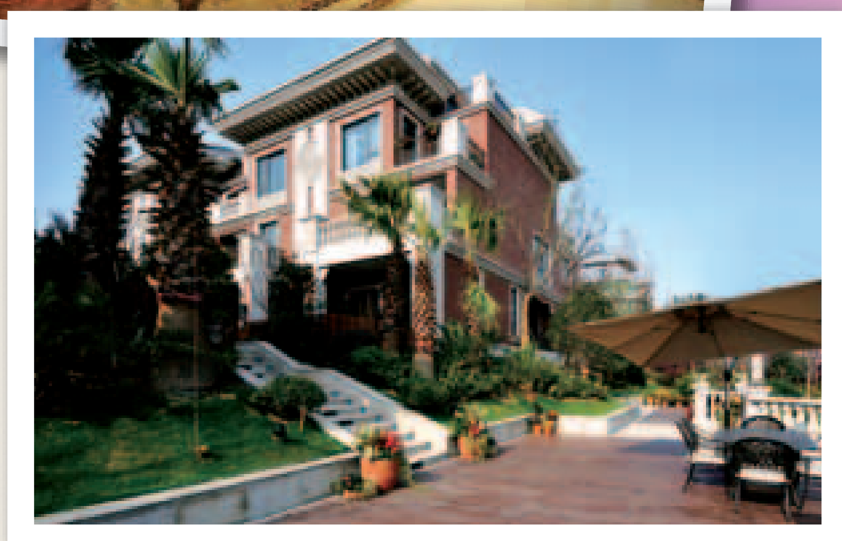
* Net Debt to Shareholders' Funds Ratio = (Total Liabilities – Cash and Bank balances) / Shareholders' funds

Jiaxing
Project

Wuxi

Project



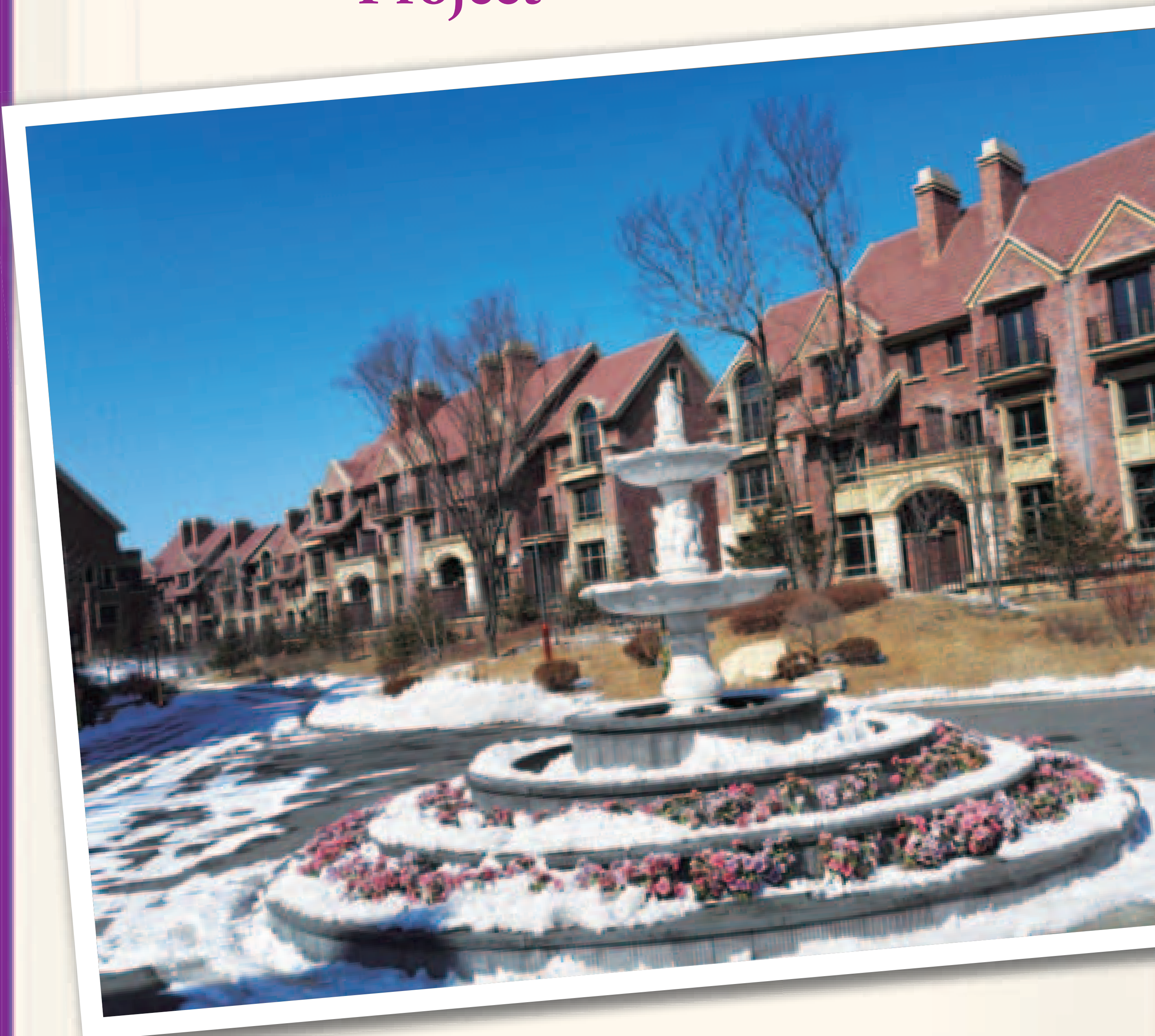


Haikou
Project


WESTIN

Shanghai
Project

Shenyang
Project



Chairman's Statement

Dear Shareholders,

On behalf of the board of directors, I would like to present the annual report of SRE Group Limited for the year ended 31 December 2015 to you.

Business Review

In 2015, the Group's major projects available for sale were Shanghai Albany Oasis Garden, Huating Project, Oasis Central Ring Centre, Shenyang Albany Oasis Garden, Wuxi Jiangnan Rich Gate and Jiaxing Project. From January to December 2015, the Group's contracted sales amounted to approximately HK$7.135 billion, with a total gross floor area of approximately 157,900 square meters.

Project Company	Amount of sales Contracts Signed *(HK$'000)*	Contractual Gross Area *(m^2)*
Shanghai Albany Oasis Garden	3,939,907	49,700
Huating Project	2,056,320	20,524
Shenyang Albany Oasis Garden	719,712	63,577
Wuxi Jiangnan Rich Gate	115,138	9,542
Shanghai Oasis Central Ring Centre	113,102	2,930
Jiaxing Project	82,084	8,077
Shanghai Cedar Villa Original	45,899	1,475
SRE Financial Centre	45,314	768
Shanghai Rich Gates Seaview	12,459	988
Other Projects	5,082	294
Total	7,135,017	157,875

In 2015, the Group recorded a net turnover of approximately HK$1.763 billion (2014: HK$1.440 billion). Gross profit for 2015 amounted to approximately HK$-1.357 billion (2014: HK$0.307 billion). The loss for the year was mainly due to the provision for impairment loss of individual property was relatively high with an amount of HK$1.381 billion.

Net turnover breakdown

Turnover	2015 (*HK$'000*)	2014 (*HK$'000*)
Revenue from sale of properties	**1,265,443**	1,021,621
Revenue from hotel operations	**210,495**	194,757
Revenue from property leasing	**118,875**	115,685
Revenue from property management	**175,921**	172,205
Revenue from construction of infrastructure for an intelligent network	**9,148**	21,914
Other revenue	**87,999**	15,486
Less: Business tax and surcharges	**(105,366)**	(101,712)
Total revenue	**1,762,515**	1,439,956

Chairman's Statement

Development Projects

Our development projects mainly included Shanghai Albany Oasis Garden and Huating Project in Shanghai; Shenyang Albany Oasis Garden and Yosemite Oasis Community in Liaoning.

Relocation for Land of Development Projects

Shanghai Albany Oasis Garden

As at the end of December 2015, all relocation had been completed for Phase I to Phase III. The relocation of all households of Phase IV has not yet started while 2 enterprises had been relocated. 5.41% of the enterprise relocation had been completed; with 423 households and 17 enterprises relocated to the parcel with communal and supporting facilities, household relocation was 76.77% completed and enterprise relocation was 94.44% completed.

Rich Gate I (Qinhai Oasis Garden)

As at the end of December 2015, with 848 households and 16 enterprise relocated, households relocation for Rich Gate I project was 45.59% completed and enterprises relocation for Rich Gate I project was 26.67% completed. The project was included in the precinct for 2014 urban renewal for both Shanghai Municipality and Huangpu District, and the House Acquisition Agreement had been signed with Shanghai Huangpu District Construction and Traffic Committee.

Shenyang Albany Oasis Garden

As at the end of December 2015, with 1,401 households (area: 90,903 m^2) and 14 enterprises (area: 3,493 m^2) relocated, relocation was 84.87% completed, which lay a foundation for the development of Phase III.

Construction Work

Shanghai Albany Oasis Garden

As of the end of 2015, the structures of Phase III of Shanghai Albany Oasis Garden block 1 to block 9 were topped out. The construction of building exterior had been completed, while the structural construction of Phase II and interior decoration were in progress. It is expected that construction will be completed by the second half of the year 2016.

Huating Project

As of December 2015, the plastering of interior and exterior walls and installation of aluminum alloy doors and windows of block 1 to block 5 and block 7 of Huating Project were completed, while interior decoration was in process. It is expected that construction works will be completed by June 2016.

Shenyang Yosemite Oasis Community

The East Parcel of Shenyang Yosemite Oasis Community consists of 502 houses. For the 200 houses located at Jinling Section, construction was completed and titles have been transferred to buyers in June 2015. For the 302 units located at Shuangxing Section, the main structures have been topped out, the construction of ancillary facilities was 85% completed. It is expected that these houses will be completed with the sold units ready for handover to buyers in 2016.

Shenyang Albany Oasis Garden

Shenyang Albany Oasis Garden Phase II includes Sections A and B. As of December 2015, block 1, block 2 and blocks 4 to 6 of Section A were completed and put into use, and the construction and installment works of block 3 were 85% completed. The masonry and surface works of block 7 and block 9 of Section B were completed and the main structures of block 8 were 50% completed. It is expected that construction of block 5 of Section A of Phase II will be completed in 2016, and construction of Section B of Phase II will be completed between 2017 to 2018.

Commercial Properties

The Group has five major commercial real estate projects: four in Shanghai and one in Shenyang. Under the influence of the prevailing austerity measures, the suppressed housing market has nonetheless underscored the trend of increasing investment toward commercial real estate as the prospect of which becomes more promising. The stable development of commercial real estate will make an increasingly important contribution to our revenue.

Commercial Property	Location	Details
Shanghai Skyway Pullman Hotel	Huangpu District, Shanghai	309 rooms
SRE Financial Centre	Huangpu District, Shanghai	Approx. 27,300 m^2
Oasis Central Ring Centre	Putuo District, Shanghai	96,146 m^2
Shanghai Shuocheng Supermarket	Zhabei District, Shanghai	Approx. 24,000 m^2
Shenyang Rich Gate Shopping Mall	Financial Golden Corridor, Shenyang	245,252 m^2

Major Transactions

1. On 9 October 2015, the Company, the Subscribers (including China Minsheng Jiaye Investment Co., Ltd. ("China Minsheng Jiaye") and the Investors) and SRE Investment Holding Limited entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 14,900,000,000 Subscription Shares at the Subscription Price of HK$0.10 per Subscription Share for a total cash consideration of HK$1,490,000,000.

2. On 30 October 2015, after trading hours, Sinopower Investment Limited (華通投資有限公司, the Vendor) and Mainlandcn Ten Company Limited (the Purchaser) entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed conditionally to sell and the Purchaser agreed conditionally to acquire the Sale Shares and the Sale Loan at a total consideration of RMB547,872,000 (equivalent to approximately HK$668,403,800).

Chairman's Statement

The Group's Awards

1. Shanghai Albany Oasis Garden Project was awarded the Golden Prize of the 9th "Residential Property of Excellence in Shanghai".

2. Shanghai Shuo Cheng Real Estate Limited was named as "Five-star Trustworthy Enterprise" of Shanghai city.

3. Shanghai Real Estate Property Co., Ltd. (上海上置物業集團有限公司) was named as "2015 China Top 100 Enterprises in Property Services" and was awarded the prize for outstanding enterprises of the Association of Shanghai Property Management.

4. The SRE Newspaper was awarded the Silver Prize of the Enterprise Newspapers of Excellence in 2015 in the property management industry in Shanghai city.

5. Skyway Pullman Hotel was awarded the "Second Place in the Most Popular and Valuable Prize" issued by the Accor Hotels Group.

6. Block B9 of Phase II of Shenyang Albany Oasis Garden was named a Project of Quality Structure in Liaoning Province. Block B7, the basement, Block 3 of Phase II and works for Carrefour (家樂福) were named Projects of Quality Structure in Shenyang City.

7. SRE Hainan branch was named an Enterprise of Excellence in Property Services in Hainan Province. Shenyang Albany Oasis Garden and Shenyang Yosemite Oasis Community of SRE Shenyang branch were named Five-star Communities of Excellence. SRE Shanghai Daning Ruishi Garden (上海大寧瑞仕花園) was awarded Five-star Communities with Property Services in 2015. SRE Central Ring Center was awarded Property Management Building of Excellence in Shanghai. SRE Shanghai Oasis Jiangnan Garden (上海綠洲江南園) was named a field demonstration and communication project in the property management industry in Shanghai and awarded Residential Community of Excellence in Shanghai.

Business Outlook

The general global economic growth was below expectation in 2015. The growth of developed economies continues to recover, but the momentum slowed down. The growth of emerging markets and developing economies further declined. The global economic growth rate decreased compared with 2014. Meanwhile, China's economic operation encountered various expected and unexpected challenges with increasing pressure on economic downturn.

China's policies on the real estate industry followed the keynote of promoting consumption and de-stocking in 2015. Various easing policies on the supply and demand facilitated the steady recovery in the quantity and price in the market. The policy environment for the operation of the industry improved significantly. According to the Statistical Communique on the 2015 National Economic and Social Development published by the China National Statistics Bureau, total investment in real estate development in 2015 amounted to RMB9.5979 trillion, an increase of 1.0% over the previous year, of which, investment in residential buildings accounted for RMB6.4595 trillion, an increase of 0.4%; investment in office buildings accounted for RMB621 billion, an increase of 10.1%; investment in commercial properties accounted for RMB1.4607 trillion, an increase of 1.8%.

As the sales and inventory of the real estate hit a historical high and the demand growth impetus is insufficient, the real estate industry will enter a stage with relatively steady development. More and more real estate developers are actively conducting beneficial exploration in the whole value chain in the real estate industry from the perspectives of improving the efficiency and benefit and reforming the models in order to deal with the changes in the industry and market and seek their own ways of survival and development.

Chairman's Statement

Facing various challenges, the Group made significant decisions in 2015 and introduced China Minsheng Jiaye as a strategic investor. Leading by the new strategy of building a comprehensive property financial group, it conducted the overall restructuring on the Group to improve the financial and operation capacity to seek new development opportunities. We are prepared for results recovery through unremitting efforts and believe that we can provide shareholders with higher returns in the medium and long term.

Seize Opportunities and Transform Development

With the adjustments on the policies on the supply and demand in the real estate industry, we believe that the real estate industry will continue to boom. In 2016, we will take advantage of the favorable opportunities in the booming real estate market in Shanghai and speed up the sale of the Huating Project's property in Shanghai and the handover to buyers to satisfy our customers. With the reinitiating of the relocation of the Daxingjie project in Shanghai, the areas of properties ready for sale of the Group in the core areas of Shanghai will increase significantly in the following five years. At the same time, the Group will screen and inspect the projects in Shenyang, Dalian, Wuxi and Jiaxing and speed up in de-stocking. For industries with less correlation with new strategies, the Group will resolutely handle them to focus on the transformation and upgrading.

The real estate industry is under profound reform. With the support of the substantial shareholder, the Group will try to enter into some emerging industries such as medical treatment and health and aged care. It will spend more efforts on obtaining resources in the above industries in the following five years. It will seek core resources and talent teams through acquisition, transformation or self-establishment as well as other methods.

Adjust Structures to Improve Returns

Under the new management structure and with the reform in the corporate culture, we are prepared for higher profits in the following two to three years. We believe that the new management structure of the Group will facilitate its efficient operation and boost the profitability of the Group. Based on the management plan, we have cancelled the previous "business divisions" and established eight functional departments under the headquarters. The functional department will directly manage and serve each project company and emerging projects will be sorted and incubated at the headquarters level. New investment themes need a new management structure and we are confident that the Group will achieve better returns in the following years.

Stick to Sustainable Development

In order to ensure that the Group owns a strong leadership and a professional management team, we have been laying a solid foundation for the growth of the SRE Group and introducing young talents with innovative concepts. We have been attaching importance to the fostering of young management and expect them to hold key important management positions in the future with an aim to achieve the sustainable growth and expansion of the businesses of the Group. Such efforts are showing results gradually and the new senior management team is in place. The management will make unremitting efforts to lead the Group in advancing forward.

Acknowledgement

I would like to take this opportunity to express my thanks to new and old staff for their supports to the reform the management structure and my gratitude to the colleagues in the Board and the management team. We will face various challenges in the new year, but we believe that under the leadership of the strategies and with the unremitting efforts of all staff, the SRE Group will surely enjoy a more bright future.

He Binwu
Chairman

31 March 2016

Discussion and Analysis

Financial Review

Turnover and loss attributable to shareholders

In 2015, the Group recorded net revenue of approximately HK$1,763 million (2014: HK$1,440 million), which represents an increase by approximately 22% compared with that of 2014. Loss attributable to owners of the parent in 2015 was approximately HK$2,364 million while loss attributable to owners of the parent in 2014 was approximately HK$106 million. The performance worsened mainly because of the impact from the third and fourth-tier cities in the Mainland, which resulted in a decline in both property sales and its gross margin, and the larger impairment losses for some properties.

Financial Resources and Liquidity

As at 31 December 2015, cash and bank balances amounted to approximately HK$3,050 million (2014: HK$2,109 million). Working capital (net current assets) of the Group as at 31 December 2015 amounted to approximately HK$5,334 million (2014: HK$14,534 million), representing a decrease of 63% as compared with the preceding year, and the current ratio was approximately 1.24x (2014: 2.10x).

As at 31 December 2015, total liabilities to total equity increased to 3.33x (2014: 2.89x). At the end of the financial period, the Group's gearing ratio was approximately 49% (2014: 65%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balance of approximately HK$3,050 million) over total capital (total equity and net borrowings), and excludes assets classified as held for sale and liabilities directly associated with assets classified as held for sale.

Employees

As at 31 December 2015, the Group had retained 2,144 (2014: 2,153) employees in Hong Kong and the People's Republic of China. Total staff costs of the Group, excluding directors' remuneration, for the year under review amounted to approximately HK$175 million (2014: HK$171 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

Charges on Assets and Contingent Liabilities

At the end of the financial period, total bank and other borrowings of approximately HK$10,646 million (2014: HK$19,070 million) were secured by pledge of the Group's assets including leasehold land, investment property, property, plant and equipment, properties held or under development for sale and equity interest in subsidiaries, details of which are set out in note 32 to the financial statements.

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans and end when the purchasers pledge related properties certificates as security to the bank offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB185 million (equivalent to HK$234 million) and these contracts were still effective as at the close of business on 31 December 2015.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The Directors consider that the probability of default of purchasers is remote and even in case of default on payments, the net realisable value of the related properties is expected to be sufficient to cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty as the principal of each of the mortgage loan is normally below 70% of sales price of the respective property at date of the sales agreement, and therefore no provision has been made in connection with the guarantees.

Information on Business Review

The Group is committed to supporting the environmental sustainability. Being an integrated real estate developer specializing in property development business, the Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group. These include regulations on air and noise pollution and discharge of waste and water into the environment. The Group recognizes that our employees, customers and business partners are the keys to our sustainable development. The Group is committed to establishing a close and caring relationship with our employees, providing high quality services to our customers and enhancing cooperation with our business partners.

Details of projects under development:

Project	Location	Land Use	GFA (sqm)	Expected Date of Completion	Completion Rate of Construction	Holding Proportion of SRE
The Bund Center Haikou	No.18 Taihua Road, Longhua District, Haikou City, Hainan Province, The PRC	Hotel	45,458	2016	95%	79%
		Residential Phase II	212,545	2018	0%	79%
		Commercial Phase II	16,316	2018	0%	79%
Albany Oasis Garden	No. 699, Zhong Xing Road, Zhabei District, Shanghai, The PRC	Residential Phase III	160,000	2016	80%	100%
		Residential Phase IV	45,000	2018	0%	100%
		Commercials	20,000	2018	0%	100%
		Hotel & Office	120,000	2018	0%	100%
Shengyang Albany	South Heping Road, Heping District, Shenyang City, Liaoning Province, The PRC	Residential Phase IIA	87,801	2016	90%	97.50%
		Residential Phase IIB	90,064	2018	67%	97.50%
		Commercial Phase IIB	2,972	2017	70%	97.50%
		Super Market Phase IIIA	24,231	2016	70%	97.50%
		Residential Phase IIIB	100,503	2019	0%	97.50%
		Commercial Phase IIIB	6,384	2019	0%	97.50%
		Residential Phase IIIC	104,839	2019	0%	97.50%
		Commercial Phase IIIC	3,060	2019	0%	97.50%
SRE Pudong Coastal Project (previously named as "Pudong Project")	Yongfa Road, Pudong New District, Shanghai, The PRC	Residential	58,178	yet to be decided	0%	98.75%

Discussion and Analysis

Project	Location	Land Use	GFA (sqm)	Expected Date of Completion	Completion Rate of Construction	Holding Proportion of SRE
Huating Project (previously named as "Bairun Project")	Lane 68, Eastern Xie Tu Road, Huangpu District, Shanghai, The PRC	Residential	27,119	2016	75%	50.36%
		Commercials	4,152	2016	90%	50.36%
		Parking	5,681	2016	90%	50.36%
Rich Gate I (Qinhai Oasis Garden)	Daxing Road, Huangpu District, Shanghai, The PRC	Residential	75,757	2019	0%	100%
		Office	41,820	2019	0%	100%
		Service Apartment	12,000	2019	0%	100%
		Underground	83,000	2019	0%	100%
Shenyang Yosemite Oasis Community	the town of Lee Sang Lane, Dongling District, Shenyang City, Liaoning Province, The PRC	Town House Phase I (Shuangxing section)	97,612	2016	85%	98.95%
		Residential Phase III	203,960	2017	0%	98.95%
Jiaxing Project	No.1, Linghu Road, Nanhu District, Jiaxing City, Zhejiang Province, The PRC	Residential and Commercial – 1# Phase II	73,144	2017	0%	98.75%
Wuxi Yongqing	Within Wuxi Hongshan New Town, The PRC	Residential	204,219	2018	0%	98.75%
Dalian Oasis City Garden	Dalian WaFang Dian City in Liaoning Province, West outer ring street west of south of north ring Road, The PRC	Residential Phase I	154,001	2017	0%	50.36%
		Commercial Phase I	20,234	2017	0%	50.36%
		Underground Phase I	78,039	2017	0%	50.36%
		Office Phase II	18,000	2018	0%	50.36%
		Commercial Phase II	65,136	2018	0%	50.36%
		Underground Phase II	47,950	2018	0%	50.36%
		Residential Phase III	271,623	2019	0%	50.36%
		Underground Phase III	102,830	2019	0%	50.36%

Details of completed investment properties:

Project	Location	Land Use	GFA (sqm)	Group's Equity Interest (%)
Shenyang Rich Gate	No.118, Harbin Road, Shenhe District, Shenyang City, Liaoning Province, The PRC	Commercial	245,252	100%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, The PRC	Retail & Office	32,602	95.79%
Oasis Central Ring Center	No. 1678, Jinshajiang Road, Putuo District, Shanghai, The PRC	Retail	6,499	95.79%
Oasis Central Ring Center	Lane 1628, Jinshajiang Road, Putuo District, Shanghai, The PRC	Car Park	57,045	95.79%
Unit 2605, 2606, 26(3A), 2803, 2806 and 28(3A) of Universal Mansion	No. 172 Yuyuan Road, Jing'An District, Shanghai, The PRC	Office	732	98%
Shanghai Shuocheng supermarket	No. 350, Zhong Hua Xin Road, Zhabei District, Shanghai, The PRC	Retail	Approx. 24,000	100%
SRE Financial Centre	No.15 Dapu Road, Luwan District, Shanghai, The PRC	Office	Approx. 27,300	55.42%

Details of hotels:

Project	Location	Land Use	GFA (sqm)	Group's Equity Interest (%)
Shanghai Skyway Pullman Hotel	No.15 Dapu Road, Luwan District, Shanghai, The PRC	Hotel	64,047	55.42%

Directors and Senior Management

Directors

Executive Directors

Mr. He Binwu, aged 67, was appointed as an Executive Director and the Chairman of the Company on 4 December 2015. He is also the chairman of the Nomination Committee and the Investment Committee of the Company. Mr. He has over 20 years of experience in real estate development. Mr. He earned a diploma certificate from Shanghai Jiao Tong University in 1976. Mr. He had held various positions since 1987, including the positions as a director and a deputy general manager of Franshion Company Limited (方興實業有限公司), the managing director of Shanghai Port International Cruise Terminal Development Co., Ltd. (上海港國際客運中心開發有限公司), Shanghai International Shipping Service Center Development Co., Ltd. (上海國際航運服務中心開發有限公司), Shanghai Yinhui Real Estate Development Co., Ltd (上海銀匯房地產發展有限公司) and Shanghai Star Bund Development and Construction Co., Ltd. (上海星外灘開發建設有限公司). From June 2004 to August 2015, Mr. He had served as an executive director and a vice president of Franshion Properties (China) Limited (now known as China Jinmao Holdings Group Limited), a company listed on the Stock Exchange (stock code: 817).

Mr. Wang Zi Xiong, aged 61, was appointed as an Executive Director and the Vice-Chairman of the Company on 1 April 2013 and was appointed as the Chief Executive Officer of the Group on 14 August 2014. Mr. Wang had been re-designated as the Co-Chairman of the Company on 17 July 2015. On 4 December 2015, he ceased to be the Co-Chairman of the Company and Chief Executive Officer of the Group and was re-designated as the Vice-Chairman of the Company. He joined the Group in April 2004. Mr. Wang graduated from the Agricultural College of Shanghai Jiaotong University with a college degree in finance in 1986, and is an economist. Mr. Wang started working in the Agricultural Bank of China Shanghai Branch in March 1979, and had been the deputy director of Credit Department of the Agricultural Bank of China Shanghai Branch and the head of the Agricultural Bank of China Jing'an Branch. He has 26 years' experience in the financial sector. He is also a director of other member(s) of the Group.

Mr. Peng Xinkuang, aged 40, was appointed as an Executive Director and the Chief Executive Officer of the Group on 4 December 2015. He is also a member of the Investment Committee of the Company. Mr. Peng has extensive experience in the real estate industry. Mr. Peng earned a diploma certificate in industrial and civil construction from Changsha University in 1996. Mr. Peng obtained a bachelor's degree in sales management from Hunan University of Commerce in 2014 and is currently pursuing an executive master of business administration degree at Central South University. Mr. Peng had held various positions in the past, including the positions as the chairman of Meixi Lake Investment (Changsha) Co., Ltd.(梅溪湖投資(長沙)有限公司), the minister of construction project, the commissioner for planning and construction and a deputy director of the Changsha Qingzhu Lake Management Committee(長沙青竹湖管委會), the vice minister of construction project of Hunan Xiangjiang New Zone(湖南湘江新區), an executive director and the general manager of Changsha Meixi Lake Industrial Co., Ltd. (長沙梅溪湖實業有限公司)and the chairman of Pilot Public Utilities Company(先導公共設施公司). He is also a director of other member(s) of the Group.

Mr. Shi Janson Bing, aged 32, was appointed as an Executive Director and the Vice-Chairman of the Company on 17 July 2015, and ceased to be the Vice-Chairman of the Company but remaining as an Executive Director on 4 December 2015. Mr. Shi graduated from the University of Southern California and obtained a Bachelor's degree in accounting. Mr. Shi has over 7 years of experience working in the field of property development and in corporate management and operations. He was appointed as an executive director of China New Town Development Company Limited ("CNTD"), a company listed on the Stock Exchange (stock code: 1278) and the Singapore Stock Exchange (stock code: D4N.si) in December 2007. He resigned from all his positions in CNTD in March 2014. He is the son of Mr. Shi Jian, the substantial shareholder of the Company. He is also a director of other member(s) of the Group.

Directors and Senior Management

Mr. Chen Chao, aged 36, was appointed as an Executive Director on 4 December 2015. Mr. Chen is the chief risk management officer of China Minsheng Jiaye Investment Co., Ltd. Mr. Chen obtained a bachelor's degree in international business management from Fudan University in 2002. Mr. Chen holds the qualification of certified public accountant in the People's Republic of China. Before joining China Minsheng Jiaye Investment Co., Ltd., Mr. Chen had engaged in auditing and financial advisory work and had held various positions, including the positions as a co-director of the financial advisory department of Ernst & Young (China) and an auditing manager of KPMG (China).

Mr. Zhu Qiang, aged 36, was appointed as an Executive Director on 4 December 2015. Mr. Zhu is the chief investment officer of China Minsheng Jiaye Investment Co., Ltd. Mr. Zhu obtained a bachelor's degree in management engineering in 2002 and a master degree in technology economics and management in 2005 from Tongji University. Mr. Zhu has over 10 years of experience in real estate investment and development and had held various positions, including the positions as a deputy general manager of Franshion Real Estate Changsha Co., Ltd. (方興地產長沙有限公司), the general manager of Changsha Meixi Lake Jinyue Properties Co., Ltd. (長沙梅溪湖金悦置業有限公司), a senior investment manager of the investment and development department of Franshion Properties (China) Limited (now known as China Jinmao Holdings Group Limited), a company listed on the Stock Exchange (stock code: 817), an investment director of the investment management department of Jinmao Group (中國金茂集團) and an industry analyst of the administration department of Yunfeng Group (雲峰集團). He is also a director of other member(s) of the Group.

Mr. Zhao Xiaodong, aged 36, was appointed as an Executive Director on 4 December 2015. He is also a member of the Investment Committee of the Company. Mr. Zhao is the chief financial officer of China Minsheng Jiaye Investment Co., Ltd. Mr. Zhao obtained a bachelor's degree in accounting in 2002, a master's degree in management in 2007 and a PhD degree in management in 2007 from Tsinghua University. Mr. Zhao holds the qualification of certified public accountant in the People's Republic of China. Mr. Zhao has extensive experience in the construction and real estate industry and had held various positions, including the positions as a deputy general manager of the capital markets department, the general manager of the investment and development department and a deputy general manager of a subsidiary in Nanjing of Franshion Properties (China) Limited (now known as China Jinmao Holdings Group Limited), a company listed on the Stock Exchange (stock code: 817), and an assistant to the chief financial officer of Country Garden Holdings Company Limited, a company listed on the Stock Exchange (stock code: 2007).

Independent Non-executive Directors

Mr. Zhuo Fumin, aged 64, was appointed as an Independent Non-executive Director on 30 November 2010. He is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Zhuo graduated from Shanghai Jiaotong University of Engineering Science in 1983 and obtained a master degree in Economics from Fudan University in 1997. Mr. Zhuo served senior positions such as the assistant officer and the head of the administrative office of the Shanghai Economic System Reform Committee. Subsequently, Mr. Zhuo held various senior positions at Shanghai Industrial Investment (Holdings) Co., Ltd., including the chief executive officer and the vice chairman of Shanghai Industrial Holdings Limited, a company listed on the Stock Exchange (stock code: 363) and the chairman and an executive director of SIIC Medical Science and Technology (Group) Limited. Mr. Zhuo is devoted to private equity investment since 2002, and was the chairman and the chief executive officer of Vertex China Investment Co., Ltd., a wholly owned subsidiary of Vertex Management Group which is a global venture capital fund management company. Mr. Zhuo co-founded SIG Capital Limited. Since 2008, Mr. Zhuo has been a partner of GGV Capital. Mr. Zhuo was previously a director of Grandhope Biotech Co. Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300238) and an independent director of Focus Media Holding Limited, a company listed on NASDAQ (former stock code: FMCN, currently privatized). Currently, Mr. Zhuo is an independent director of Daqo New Energy Corp., a company listed on the New York Stock Exchange (stock code: DQ) and a non-executive director of Besunyen Holdings Company Limited, a company listed on the Stock Exchange (stock code: 926). He also serves as an independent non-executive director of Shenyin Wanguo (H.K.) Limited (now known as Shenwan Hongyuan (H.K.) Limited), a company listed on the Stock Exchange (stock code: 218) and an independent director of China Enterprise Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 600675). Mr. Zhuo was appointed as an independent director of Arcplus Group Plc, a company listed on the Shanghai Stock Exchange (stock code: 600629) since September 2015, an independent director of Focus Media Information Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 2027) since January 2016 and an independent non-executive director of Sinopharm Group Co. Ltd., a company listed on the Stock Exchange (stock code: 1099) since March 2016.

Directors and Senior Management

Mr. Chan, Charles Sheung Wai, aged 62, was appointed as an Independent Non-executive Director on 10 July 2012. He is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Chan obtained a Bachelor of Commerce degree at the University of Manitoba, Canada in 1977. He is a member of the Chartered Accountants of Canada as well as a member of the Hong Kong Institute of Certified Public Accountants. He started his career as an audit staff at the Canadian office of Arthur Andersen in 1977 and was admitted to partnership in 1988. He subsequently joined the China/Hong Kong office of Arthur Andersen as an audit partner in 1994. For the period from July 2002 to June 2012, he was a partner of the China/Hong Kong Office of PricewaterhouseCoopers. Mr. Chan served as a member of the Listing Committee of the Stock Exchange during the period from 1998 to 2001 and also served as a member of the Selection Committee for the first Legislative Council of the Hong Kong Special Administrative Region in 1998. From 1996 to 1999, he was a council member of the Hong Kong Society of Certified Public Accountants (the "Society"). He had also served as a member of the Accounting Standards Committee of the Society, a member of the Auditing Standards Committee of the Society and the Chairman of the China Technical Committee of the Society. Mr. Chan is currently an independent non-executive director of Changyou.com Limited, a company listed on NASDAQ (stock code: CYOU) as well as Solar Power Inc., a company listed on NASDAQ (stock code: SPI).

Mr. Guoping, aged 66, a level 1 national senior prosecutor, was appointed as an Independent Non-executive Director on 13 October 2014. He is also a member of the Audit Committee of the Company. Mr. Guo graduated from East China University of Politics and Law with a bachelor's degree in law in September 1997 and graduated from an EMBA in Finance and Accounting from Shanghai National Accounting Institute in August 2006. Mr. Guo had been the vice-chairman, the deputy secretary of Communist Party of China committee and the secretary of disciplinary committee of Shanghai International Group Co., Ltd. from August 2003 to May 2010 and a director of the Bright Food (Group) Co., Ltd. from March 2004 to May 2011. Mr. Guo was the chairman of the board of supervisors of Changjiang Pension Insurance Co., Ltd from May 2007 to May 2011 and an independent director of this company from June 2011 to present. Mr. Guo was the chairman of the board of supervisors in China International Fund Management Co., Ltd. from February 2006 to May 2011. Mr. Guo was also a chairman of the board of supervisors in Jiangyin SPD Rural Bank Co., Ltd. from September 2013 to July 2014. He is currently an independent non-executive director of Spring Airline Co., Ltd, a company listed on the Shanghai Stock Exchange (stock code: 601021).

Mr. Ma Lishan, aged 64, was appointed as an Independent Non-executive Director on 31 March 2016. He is also the chairman of the Remuneration Committee and a member of the Nomination Committee and the Investment Committee of the Company. He has extensive experience in corporate operation and management. Mr. Ma graduated from Beijing Foreign Studies University in the People's Republic of China in 1975. Mr. Ma served in various managerial positions such as chairman, executive director, general manager in certain large-scale grain, edible oil, food processing corporations and Great Wall Wine under China Oil & Foodstuff Corporation. From January 1996, Mr. Ma served as an executive director of China Foods Limited (中國食品有限公司) ("China Foods"), a company listed on the Stock Exchange (stock code: 506). From May 1997 to June 2003, Mr. Ma served as executive director and managing director and from April 2002 to June 2003 as managing director of China Foods. In 2000, Mr. Ma served as the deputy general manager of China Foods Import and Export (Group) Co., Ltd. (中國糧油食品進出口(集團)有限公司). Mr. Ma was the deputy chairman of Top Glory International Holdings Limited (鵬利國際集團有限公司) (a shareholder of COFCO Property (Group) Co., Ltd.) from June 2003 to July 2005. From June 2008 to January 2009, Mr. Ma was an executive director of Sino Resources Group Limited, a company listed on the Stock Exchange (stock code: 223). From March 2008 to present, he is an independent non-executive director of Silver Base Group Holdings Limited, a company listed on the Stock Exchange (stock code: 886). From August 2009 to present, he is an independent non-executive director of Sunac China Holdings Limited, a company listed on the Stock Exchange (stock code: 1918). From September 2010 to August 2012, he was also the executive director, managing director and chairman of Hao Tian Resources Group Limited (now known as Hao Tian Development Group Limited), a company listed on the Stock Exchange (stock code: 474). He is the senior consultant in Hao Tian Development Group Limited since August 2012.

Senior Management

Mr. Yuan Dexin, aged 61, is the Chief Financial Officer of the Group. Mr. Yuan graduated from Anhui Finance & Trade College (安徽財貿學院) with a college degree in accounting in June 1987 and obtained a professional qualification in accountancy in November 1993. He worked as a finance manager of the Second Construction and Installation Company of Ma'anshan city of Anhui (安徽馬鞍山市第二建築安裝公司) since 1976, and worked in Anhui Ma'anshan Accounting Firm (安徽馬鞍山市會計師事務所) for advisory and assurance since 1992. Mr. Yuan had also been the finance manager of Shenzhen Huating Industrial Co., Ltd. (深圳市華庭實業有限公司), then Shanghai Cosco-Xin Dong Real Estate Development Co. Ltd. (上海遠洋信東置業發展有限公司) and then Hanxiang (Shanghai) Real Estate Company (瀚翔(上海)置業有限公司) from 1994 to 2001. From 2001 to 2009, he first worked for Shanghai Zhongheng Real Estate Internet Marketing Ltd. (上海中衡房地產網路行銷有限公司) and subsequently for GB International Trading (Shanghai) Co. Ltd (吉信國際貿易(上海)有限公司) as their financial controller. Mr. Yuan joined the Group as the Financial Controller since 2009 and was appointed as the Chief Financial Officer on 14 August 2014. He was also appointed as the chairman of the Shanghai Wingo Infrastructure Co. Ltd., a subsidiary of the Group, in July 2010. He has 39 years' experience in finance.

Report of the Directors

The directors of the Company (the "Directors") have pleasure in submitting the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

Principal Activities

The Group are mainly engaged in real estate development, property leasing and hotel operations in Mainland China. The principal activities of its principal subsidiaries and associates are respectively set out in notes 21 and 22 to the financial statements.

Segmental Information

Details of the Group's revenue and profit or loss by principal activity and geographical area for the year ended 31 December 2015 are set out in note 4 to the financial statements.

Results

Details of the Group's results for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income. No interim dividend was declared by the board of the Directors (the "Board"). The Board does not recommend the payment of final dividend for the year ended 31 December 2015 (2014: Nil).

Bank Loans, Overdrafts and Other Borrowings

Details of bank loans, overdrafts and other borrowings of the Group are set out in note 32 to the financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are respectively set out in the consolidated statement of changes in equity and in note 31 to the financial statements.

Distributable Reserves

As computed in accordance with the Companies Act 1981 of Bermuda, the Company does not have reserves for distribution to shareholders as at 31 December 2015 (2014: Nil). The share premium account with balance of approximately HK$5,432 million (2014: HK$5,434 million) may be distributed in the form of fully paid bonus shares.

Share Capital

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

Pursuant to the subscription agreement dated 9 October 2015, a total of 14,900,000,000 subscription shares of the Company were allotted and issued to the subscribers on 4 December 2015. For details, please refer to the circular of the Company dated 16 November 2015 and the announcement of the Company dated 4 December 2015.

Financial Summary

A financial summary of the Group is set out on page 5 of this annual report.

Report of the Directors

Business Review

The information on business review of the Group for the year ended 31 December 2015 is provided in the Discussion and Analysis of this annual report.

Pre-Emptive Rights

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

Purchase, Sale or Redemption of Listed Securities

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

Fixed Assets and Investment Properties

Details of the movement in fixed assets and investment properties of the Group are respectively set out in notes 17 and 18 to the financial statements.

Related Party Transactions

Details of the related party transactions (which also include connected transactions) of the Group for the year ended 31 December 2015 are set out in note 42 to the financial statements.

Directors

The directors who held office during the year and as of the date when the annual report was published are:

Executive Directors

Mr. He Binwu	*(appointed on 4 December 2015)*
Mr. Wang Zi Xiong	
Mr. Peng Xinkuang	*(appointed on 4 December 2015)*
Mr. Shi Janson Bing	*(appointed on 17 July 2015)*
Mr. Chen Chao	*(appointed on 4 December 2015)*
Mr. Zhu Qiang	*(appointed on 4 December 2015)*
Mr. Zhao Xiaodong	*(appointed on 4 December 2015)*
Mr. Li Yao Min	*(resigned on 5 February 2015)*
Mr. Yu Hai Sheng	*(resigned on 5 February 2015)*
Mr. Ma Dayu	*(appointed on 5 February 2015 and resigned on 4 December 2015)*
Mr. Li Genfa	*(appointed on 5 February 2015 and resigned on 4 December 2015)*
Mr. Zhang Hongfei	*(resigned on 17 July 2015)*
Mr. Shi Jian	*(removed on 2 December 2015)*
Mr. Shi Lizhou	*(resigned on 4 December 2015)*

Report of the Directors

Non-executive Directors

Mr. Cheung Wing Yui *(resigned on 4 December 2015)*
Mr. Jin Bing Rong *(resigned on 4 December 2015)*

Independent Non-executive Directors

Mr. Zhuo Fumin
Mr. Chan, Charles Sheung Wai
Mr. Yang Chao *(retired on 1 January 2016)*
Mr. Guoping
Mr. Ma Lishan *(appointed on 31 March 2016)*

The Company had received confirmation from each of the Independent Non-executive Directors of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and considered all Independent Non-executive Directors to be independent.

In accordance with Bye-laws 86(2), 87(1) and 87(2) of the Bye-laws of the Company, Mr. Wang Zi Xiong, Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Guoping and Mr. Ma Lishan will retire at the forthcoming annual general meeting of the Company, but being eligible, will offer themselves for re-election.

Biographical details for the Directors are set out on pages 26 to 29 of this annual report.

Change in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the information of the Director since the disclosure made in the Interim Report 2015 and up to the date of this annual report of the Company is set out below:

Name of Directors	**Details of Change**
Mr. Zhuo Fumin	Appointed as an independent director of Arcplus Group Plc, a company listed on the Shanghai Stock Exchange (stock code: 600629) since September 2015
	Appointed as an independent director of Focus Media Information Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 2027) since January 2016
	Appointed as an independent non-executive director of Sinopharm Group Co. Ltd., a company listed on the Stock Exchange (stock code: 1099) since March 2016
Mr. Chan, Charles Sheung Wai	Appointed as an independent non-executive director of Solar Power Inc., a company listed on NASDAQ (stock code: SPI)

Directors' Emoluments

The fixed annual remuneration of the Executive Directors is determined by the Remuneration Committee of the Company. Each Executive Director is also entitled to an annual management bonus under the relevant service contract, the amount of which is to be determined by the Board from time to time, provided that the aggregate management bonus payable to all Executive Directors for a financial year shall not be more than 10% of the Company's net profit after taxation and non-controlling interests as shown in the audited consolidated financial statements of the Company for the relevant year.

Details of Directors' emoluments are set out in note 10 to the financial statements.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with any member of the Company which is not determinable within one year without the payment of compensation other than statutory compensation.

Directors' Interest in Transactions, Arrangements or Contracts

Saved as disclosed in the announcement of the Company dated 24 September 2015 and in the section of Material Contracts set out in the circular of the Company dated 26 November 2015, 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 (direct or indirect), subsisted at the end of the financial year or at any time during the year ended 31 December 2015.

For particulars of the relevant transactions, arrangements or contracts, please refer to the announcement of the Company dated 24 September 2015 and the section of Material Contracts as set out in the circular of the Company dated 26 November 2015.

Directors' Rights to acquire Shares or Debentures

In 2015, none of the Directors had been granted any options or exercised any options of the Company.

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Report of the Directors

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long position in shares of the Company (the "Shares")

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Zhuo Fumin	–	160,000 *(Note)*	–	160,000	0.00%

Note: These Shares were held by Madam He Pei Pei, the spouse of Mr. Zhuo Fumin.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executives of the Company, nor any of their close associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests

As at 31 December 2015, so far as is known to any Director or chief executives of the Company, the following persons, other than a Director or chief executives of the Company, had interests of the Company or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under the section 336 of the SFO:

Long positions in the Shares

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
China Minsheng Investment Corp., Ltd.	Corporate interest	12,500,000,000 *(Note 1)*	60.78%
China Minsheng Jiaye Investment Co., Ltd.	Corporate interest	12,500,000,000 *(Note 1)*	60.78%
Jiaxin Investment (Shanghai) Co., Ltd.	Corporate interest	12,500,000,000 *(Note 1)*	60.78%
Jiasheng (Holding) Investment Limited	Corporate interest	12,500,000,000 *(Note 1)*	60.78%
Jiashun (Holding) Investment Limited	Beneficial owner	12,500,000,000 *(Note 1)*	60.78%
Shi Jian	Beneficial owner, spouse and corporate interest	2,902,668,443 *(Note 2)*	14.11%
Si Xiao Dong	Beneficial owner, spouse and corporate interest	2,902,668,443 *(Note 2)*	14.11%
SRE Investment Holding Limited	Beneficial owner	2,889,659,128 *(Note 2)*	14.05%

Notes:

(1) China Minsheng Investment Corp., Ltd. holds a 100% direct interest in China Minsheng Jiaye Investment Co., Ltd., which holds a 100% direct interest in Jiaxin Investment (Shanghai) Co., Ltd., and which in turn holds a 100% interest in Jiasheng (Holding) Investment Limited. Jiashun (Holding) Investment Limited is a wholly-owned subsidiary of Jiansheng (Holding) Investment Limited. Therefore, China Minsheng Investment Corp., Ltd., China Minsheng Jiaye Investment Co., Ltd., Jiaxin Investment (Shanghai) Co., Ltd. and Jiasheng (Holding) Investment Limited are all deemed to be interested in all the Shares held by Jiashun (Holding) Investment Limited for the purpose of SFO.

(2) These Shares comprised 13,006,991 Shares held by Mr. Shi Jian, 2,324 Shares held by his spouse, Madam Si Xiao Dong and 2,889,659,128 Shares which SRE Investment Holding Limited was interested in. As each of Mr. Shi Jian and Madam Si Xiao Dong owns more than 30% of SRE Investment Holding Limited, they are deemed to be interested in all the Shares held by SRE Investment Holding Limited for the purpose of SFO.

Save as disclosed above, as at 31 December 2015, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which were required to be recorded in the register kept by the Company under section 336 of the SFO.

Report of the Directors

Share Option Scheme

The Company has not adopted any share option scheme in 2015.

Competing Interests

None of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Major Customers and Suppliers

The Group's customers from whom the revenue of continuing operations derived are widely dispersed. No customer nor a single group of customers under common control of continuing operations contributed 10% or more of the Group's revenue for the years ended 31 December 2015 and 2014. During the year, less than 30% of the Group's revenue was attributable to the Group's five largest customers combined.

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

Public Float

According to the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has complied with the public float requirement under the Listing Rules.

Audit Committee

The audited annual financial report for the year ended 31 December 2015 has been reviewed by the Audit Committee of the Company.

Pension Scheme

Details of the Group's pension schemes are set out in the section of employee benefits of Note 2.4 to the financial statements.

Auditors

The financial statements for the year ended 31 December 2015 have been audited by Messrs. Ernst & Young.

On behalf of the Board
He Binwu
Chairman

Hong Kong, 31 March 2016

Corporate Governance Report

The Company firmly believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its stakeholders. The Board and senior management are committed to maintain a high standard of corporate governance which provides a framework and a solid foundation for achieving a high standard of accountability and transparency.

Corporate Governance Practices

The Board had reviewed its corporate governance practices throughout the year ended 31 December 2015, and confirmed that the Company has complied with all principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules except for the following deviations:

Code Provision A.2.1

Pursuant to provision A.2.1, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. During the financial year, the roles of the Chief Executive Officer and Co-chairman were performed by Mr. Wang Zi Xiong during the period from 17 July 2015 to 4 December 2015. As disclosed in the Company's announcement dated 9 June 2015, Mr. Shi Jian, the then executive Director and Chairman of the Company was required to stay under custody at a designated residence by Changzhou City People's Procuratorate of the People's Republic of China. Mr. Wang Zi Xiong was re-designated as the Co-chairman of the Board during the interim. The Board considers that the balance of power and authority of the Board would not be impaired even the roles of the Co-chairman and the Chief Executive Officer were performed by the same individual. In addition, the Board considers that vesting both of the roles of Co-chairman and Chief Executive Officer with Mr. Wang is beneficial to the business prospects and management of the Group in the circumstances.

Code Provision A.6.7

Pursuant to code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Guoping, an Independent Non-executive Director, did not attend the annual general meeting of the Company for the year 2015 due to other business engagements.

Code Provision E.1.2

Pursuant to code provision E.1.2, the chairman of the board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Shi Jian, the then Chairman and the chairman of the Nomination Committee of the Company, did not attend the annual general meeting of the Company for the year 2015 due to other business engagements. The Vice-Chairman of the Company and the Chief Executive Officer of the Group, other Directors, the Chief Financial Officer of the Group, the company secretary of the Company and the auditors of the Company had attended the meeting to answer questions at the meeting.

Other Information

Pursuant to Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only. Mr. Wang Zi Xiong, an Executive Director was appointed as a member of the Audit Committee of the Company on 4 December 2015 due to unintended administration arrangement and ceased to be a member of there of the Audit Committee of the Company on 31 March 2016 with a view to fulfilling the requirements of the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all Directors and all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2015.

Board of Directors

Throughout the year ended 31 December 2015, the Company has complied with the Board's practices and procedures as set out in the Listing Rules.

Board Composition

As at 31 December 2015, the Board consists of eleven Directors, including seven Executive Directors, namely, Mr. He Binwu, Mr. Wang Zi Xiong, Mr. Peng Xinkuang, Mr. Shi Janson Bing, Mr. Chen Chao, Mr. Zhu Qiang and Mr. Zhao Xiaodong; and four Independent Non-executive Directors, namely, Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai, Mr. Yang Chao and Mr. Guoping.

Save as disclosed in the above section "Directors and Senior Management", there is no financial, business, family or other material/relevant relationship amongst the Directors.

Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. The Directors are charged with the task of promoting the success of the Company and making decisions in the best interest of the Company.

The Board formulates, approves and monitors Group-wide strategies and policies, evaluates the performance of the Company, and supervises the management of the Company. The management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer of the Group.

Chairman, Vice-Chairman and Chief Executive Officer

The Chairman of the Company is responsible for formulating, developing and reassessing the Group's strategies and policies and for all Board matters. The Vice-Chairman of the Company is responsible for assisting the Chairman of the Company in discharging his responsibilities. The Chief Executive Officer of the Group is responsible for the execution of the Group's business strategies and plans. The positions of the Chairman of the Company and the Chief Executive Officer of the Group are held by separate individuals so as to maintain an effective segregation of duties.

Independent Non-executive Directors

As at 31 December 2015, the Board has 11 members with 4 of them being Independent Non-executive Directors. This satisfies both the requirements of having at least 3 Independent Non-executive Directors under Rule 3.10(1) of the Listing Rules, as well as of having Independent Non-executive Directors representing at least one-third of the Board under Rule 3.10A of the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The functions of Independent Non-executive Directors include:

- expressing an independent view and judgement at Board meetings;
- taking the lead to identify potential conflicts of interests if any;
- serving on Board committees if invited; and
- scrutinizing the Company's performance and monitoring performance reporting.

The Independent Non-executive Directors have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They gave the Board and the Board committees the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

Corporate Governance Function

The Board is collectively responsible for performing the corporate governance duties including:

(a) to develop, review and implement the Company's policies and practices on corporate governance;
(b) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;
(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) to develop, review and monitor the code of conduct applicable to employees and the Directors; and
(e) to review the Company's compliance with the CG Code and its disclosure in the Corporate Governance Report.

Meetings

The Board meets at least four times a year at approximately quarterly intervals. During 2015, the Board held fourteen meetings to review the financial performance, annual and interim results, material investments and other significant matters of the Group. The Bye-laws of the Company provides for the convening of the Board or Board committee meetings by way of telephonic or similar communications.

The attendance records of the Directors at the Board meetings, the Board committee meetings, the annual general meeting and the special general meeting of the Company for the financial year ended 31 December 2015 are set out below:

		Attendance/Number of Meetings (during Director's tenure)					
		Board	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General**	**Special General**
Executive Directors							
He Binwu	*(Note 1)*	0/0		0/0		0/0	0/0
Wang Zi Xiong	*(Note 2)*	14/14	0/0	2/2	0/0	1/1	1/1
Peng Xinkuang	*(Note 1)*	0/0				0/0	0/0
Shi Janson Bing	*(Note 3)*	9/9				0/0	1/1
Chen Chao	*(Note 1)*	0/0				0/0	0/0
Zhu Qiang	*(Note 1)*	0/0				0/0	0/0
Zhao Xiaodong	*(Note 1)*	0/0				0/0	0/0
Li Yao Min	*(Note 4)*	0/0				0/0	0/0
Yu Hai Sheng	*(Note 4)*	0/0				0/0	0/0
Ma Dayu	*(Note 5)*	14/14				1/1	1/1
Li Genfa	*(Note 5)*	14/14				1/1	1/1
Zhang Hongfei	*(Note 6)*	3/5				1/1	0/0
Shi Jian	*(Note 7)*	0/14		0/2		0/1	0/1
Shi Lizhou	*(Note 8)*	13/14				1/1	1/1
Non-executive Directors							
Cheung Wing Yui	*(Note 9)*	11/14	2/2		2/2	1/1	1/1
Jin Bing Rong	*(Note 9)*	13/14	2/2			1/1	1/1
Independent Non-executive Directors							
Zhuo Fumin	*(Note 10)*	12/14	2/2	2/2	2/2	1/1	1/1
Chan, Charles Sheung Wai		13/14	2/2		2/2	1/1	1/1
Yang Chao	*(Note 11)*	13/14				1/1	1/1
Guoping	*(Note 12)*	12/14	2/2	2/2		0/1	1/1

Corporate Governance Report

Notes:

1. Mr. He Binwu, Mr. Peng Xinkuang, Mr. Chen Chao, Mr. Zhu Qiang and Mr. Zhao Xiaodong were appointed as Executive Directors on 4 December 2015. Mr. He Binwu was also appointed as the Chairman, and the chairman of the Nomination Committee of the Company on 4 December 2015. Mr. Peng Xinkuang was also appointed as the Chief Executive Officer of the Group, and a member of the Investment Committee of the Company on 4 December 2015.
2. Mr. Wang Zi Xiong was re-designated from the Vice-Chairman of the Company to the Co-Chairman of the Company on 17 July 2015. He ceased to be Co-Chairman of the Company and the Chief Executive Officer of the Group and was re-designated as the Vice-Chairman of the Company on 4 December 2015. He was also appointed as a member of the Audit Committee, the Remuneration Committee and the Investment Committee of the Company on 4 December 2015.
3. Mr. Shi Janson Bing was appointed as Executive Director and the Vice-Chairman of the Company on 17 July 2015. He ceased to be the Vice-Chairman of the Company on 4 December 2015.
4. Mr. Li Yao Min and Mr. Yu Hai Sheng resigned as Executive Directors on 5 February 2015.
5. Mr. Ma Dayu and Mr. Li Genfa were appointed as Executive Directors on 5 February 2015 and resigned as Executive Directors on 4 December 2015.
6. Mr. Zhang Hongfei resigned as Executive Director on 17 July 2015.
7. Mr. Shi Jian was removed as Executive Director and the Chairman of the Company on 2 December 2015. He ceased to be the chairman of the Nomination Committee of the Company on 2 December 2015.
8. Mr. Shi Lizhou resigned as Executive Director on 4 December 2015.
9. Mr. Cheung Wing Yui and Mr. Jin Bing Rong resigned as Non-executive Directors on 4 December 2015. Mr. Cheung Wing Yui ceased to be a member of the Audit Committee and the Remuneration Committee of the Company on 4 December 2015. Mr. Jin Bing Rong ceased to be a member of the Audit Committee of the Company on 4 December 2015.
10. Mr. Zhuo Fumin was appointed as the chairman of the Investment Committee of the Company in replacement of Mr. Yang Chao on 4 December 2015.
11. Mr. Yang Chao retired as Independent Non-executive Director on 1 January 2016.
12. Mr. Guoping was appointed as a member of the Investment Committee of the Company on 4 December 2015.

Apart from regular Board meetings, the Co-Chairman of the Company also held a meeting with Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors during the financial year ended 31 December 2015.

Board papers are circulated and the Company Secretary attends all regular board meetings to advise on corporate governance and statutory compliance when necessary. In addition, the Company maintains a procedure for the Directors to seek independent professional advice in appropriate circumstances.

Board Committees

The Board has established 4 committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Investment Committee. These committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management. The respective terms of reference is available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited. The Company has provided sufficient resources to the Board committees to perform their duties.

Audit Committee

The Company has established the Audit Committee of the Company. During the financial year ended 31 December 2015, the Audit Committee of the Company comprises four members as follows:

Independent Non-executive Directors
Mr. Chan, Charles Sheung Wai – Chairman
Mr. Zhuo Fumin – Member
Mr. Guoping – Member

Non-executive Directors
Mr. Jin Bing Rong – Member *(resigned on 4 December 2015)*
Mr. Cheung Wing Yui – Member *(resigned on 4 December 2015)*

Mr. Wang Zi Xiong, an Executive Director was appointed as a member of the Audit Committee of the Company on 4 December 2015 due to unintended administration arrangement and ceased to be a member of there of the Audit Committee of the Company on 31 March 2016 with a view to fulfilling the requirements of the Listing Rules.

The major duties of the Audit Committee of the Company include:

- to consider and recommend the appointment, re-appointment and removal of external auditor;
- to approve the remuneration and terms of engagement of external auditor, any questions of resignation or dismissal of that auditor;
- to review and monitor external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to develop and implement policy on the engagement of an external auditor to supply non-audit services and to make recommendation of any measures for improvements to be taken;
- to review the interim and annual financial statements and the interim and annual reports before submission to the Board;
- to review the Group's financial controls, internal control and risk management systems and ensure that the management has discharged its duty to have an effective internal control system;
- to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- to review and consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- to consider any significant or unusual items that are, or may need to be, reflected in reports and accounts and must give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor the effectiveness of the internal audit function;

Corporate Governance Report

- to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response and to ensure that the Board will provide a timely response to the issues raised; and

- to review the Group's financial and accounting policies and practices.

The Audit Committee of the Company has explicit authority to investigate into any matter under the scope of its duties and the authority to obtain independent professional advice. It is given full access to reasonable resources and assistance from the management to discharge its duties properly.

In 2015, the Audit Committee of the Company held two meetings to, among other things, review the interim and annual results of the Group. The Audit Committee of the Company had reviewed the Group's significant internal control and financial matters, and discussed with the management of the Company and the external auditors, Messrs. Ernst & Young. The Audit Committee of the Company had also reviewed the audit plans and findings of the external auditors, the independence of the external auditors, the Group's accounting principles and practices, the Listing Rules and statutory compliance, financial reporting, internal control and risk management. The attendance record of each committee member is shown on page 39 in the section of Meetings of this report.

The Audit Committee of the Company had met the external auditors two times during the financial year ended 31 December 2015. There was no disagreement between the Board and the Audit Committee of the Company regarding the selection and appointment of external auditors. The Audit Committee of the Company is satisfied that the external auditors is able to meet the audit obligations of the Company.

Nomination Committee

The Company has established the Nomination Committee of the Company. During the financial year ended 31 December 2015, the Nomination Committee of the Company comprises three members as follows:

Mr. He Binwu – Chairman *(appointed on 4 December 2015)*
Mr. Shi Jian – Chairman *(ceased on 2 December 2015)*

Independent Non-executive Directors
Mr. Zhuo Fumin – Member
Mr. Guoping – Member

The major duties of the Nomination Committee of the Company include:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on selection of individual nominated for directorships;

- to assess the independence of the Independent Non-executive Directors;

- to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the Chairman of the Company and the Chief Executive Officer of the Group;

- to determine the policy for nomination of the Directors; and

- to review the board diversity policy on a regular basis and recommend revisions, if any, to the Board for consideration and approval.

In 2015, the Nomination Committee of the Company held two meetings. The Nomination Committee of the Company had reviewed the structure, size and composition of the Board and considered the appointment of the Directors and the re-designation of the Vice-Chairman in the Company.

The Company had also assessed the independence of all the Independent Non-executive Directors and considers that all of them are independent under Rule 3.13 of the Listing Rules, having taken into account (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment.

The Board has adopted the board diversity policy setting out the approach to achieve diversity on the Board. In assessing the Board composition, the Nomination Committee of the Company would take into account various aspects set out in the policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. In identifying and selecting suitable candidates for directorships, the Nomination Committee of the Company would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board. The current Board is considered well-balanced and of a diverse mix appropriate for the business of the Group. The Nomination Committee of the Company would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. The Nomination Committee of the Company would also review the board diversity policy, as appropriate, to ensure its effectiveness and recommend any proposed revisions to the Board for approval.

The nomination procedures for the Directors can be accessed from the website of the Company. The attendance record of each committee member is shown on page 39 in the section of Meetings of this report.

Appointment, Re-election and Removal of Directors

Saved as a letter of appointment with Mr. Yang Chao, an Independent Non-executive Director, which was for the term from 22 November 2015 to 31 December 2015 before his retirement upon the expiry of the previous term of two years ended on 21 November 2015, pursuant to the letters of appointment, all Non-executive Directors and Independent Non-executive Directors are appointed for a term of two years subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

The procedures and processes of appointment, re-election and removal of the Directors are laid down in the Bye-laws of the Company. Recommendations for appointments and re-appointments of the Directors and appointments of the members of various Board committees are made by the Nomination Committee of the Company to the Board for consideration and appointment. Any Director appointed by the Board shall hold office only until, and shall retire on, the next following annual general meeting of the Company. The Bye-laws of the Company provides that at each annual general meeting of the Company, one-third of the Directors for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. If the Directors obliged to retire who then wish to retire and not offer themselves for re-election account for less than one-third, those who have been longest in office since their last re-election or appointment shall retire to make up for the shortfall. Each Director should retire at least once every three years. A retiring Director is eligible for re-election by the shareholders at the annual general meeting of the Company.

Mr. Wang Zi Xiong, Mr. Zhuo Fumin, Mr. Chan, Charles Sheung Wai and Mr. Guoping will be retiring by rotation pursuant to the bye-law 87 of Bye-laws of the Company at the forthcoming annual general meeting of the Company, and Mr. Ma Lishan will be retiring pursuant to the bye-law 86(2) of Bye-laws of the Company at the forthcoming annual general meeting of the Company. The retiring Directors are eligible for re-election at the forthcoming annual general meeting of the Company.

Corporate Governance Report

Remuneration Committee

The Company has established the Remuneration Committee of the Company. During the financial year ended 31 December 2015, the Remuneration Committee of the Company comprises three members as follows:

Independent Non-executive Directors
Mr. Chan, Charles Sheung Wai – Chairman
Mr. Zhuo Fumin – Member

Non-executive Director
Mr. Cheung Wing Yui – Member *(resigned on 4 December 2015)*

Executive Director
Mr. Wang Zi Xiong – Member *(appointed on 4 December 2015)*

The major duties of the Remuneration Committee of the Company include:

- to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management of the Company;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management;
- to make recommendations to the Board on the remuneration of Non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee of the Company should consult the Chairman of the Company and/or the Chief Executive Officer of the Group about their remuneration proposals for other Executive Directors and have assess to independent professional advice if necessary.

In 2015, the Remuneration Committee of the Company held two meetings. The Remuneration Committee of the Company had reviewed the Company's remuneration policies and the remuneration packages of the Directors, and had also reviewed and recommended the remuneration of the re-designated Co-Chairman of the Company and the new Executive Directors. No Director should involve in deciding his own remuneration. The attendance record of each committee member is shown on page 39 in the section of Meetings of this report.

Details of the Directors' and senior management's remuneration are set out in note 10 and 42 (iv) to the financial statements.

Investment Committee

The Company has established the Investment Committee of the Company. During the financial year ended 31 December 2015, the Investment Committee of the Company comprises five members as follows:

Independent Non-executive Directors
Mr. Zhuo Fumin – Chairman *(re-designated on 4 December 2015)*
Mr. Yang Chao – Chairman *(resigned on 4 December 2015)*
Mr. Chan, Charles Sheung Wai – Member
Mr. Guoping – Member *(appointed on 4 December 2015)*

Executive Directors
Mr. Wang Zi Xiong – Member *(appointed on 4 December 2015)*
Mr. Peng Xinkuang – Member *(appointed on 4 December 2015)*

The major duties of the Investment Committee of the Company include:

- to review the management's recommended investment opportunities, objectives, strategies, policies and guidelines that direct the investment of the portfolio;

- to review the management's recommended portfolio financial goals and requirements, including asset allocation, risk tolerance, investment time horizon and capital adequacy;

- to review and evaluate the performance of the investment portfolio regularly to assure adherence to policy guidelines and monitor progress toward achieving investment objectives; and

- to review the shares purchase, redemption or other share acquisition activities be conducted by the Company.

The Investment Committee of the Company did not hold any meeting in 2015.

Corporate Governance Report

Directors' Training and Commitment

Upon appointment, each Director receives appropriate induction training and coaching to develop individual skills as required. The Directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings. They also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of business operations and governance practices.

The Directors have confirmed that they have complied with the Code Provision A.6.5 of the CG Code on directors' training. During the financial year ended 31 December 2015, the Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills and provided their records of training to the Company.

		Topics		
Name of Directors		**Legal, Regulatory and Corporate Governance**	**Group's Business and Industry Updates**	**Directors' Roles, Functions and Duties**
Executive Directors				
He Binwu	*(appointed on 4 December 2015)*	✔	✔	✔
Wang Zi Xiong		✔		
Peng Xinkuang	*(appointed on 4 December 2015)*	✔	✔	✔
Shi Janson Bing	*(appointed on 17 July 2015)*	✔	✔	✔
Chen Chao	*(appointed on 4 December 2015)*	✔	✔	✔
Zhu Qiang	*(appointed on 4 December 2015)*	✔	✔	✔
Zhao Xiaodong	*(appointed on 4 December 2015)*	✔	✔	✔
Li Yao Min	*(resigned on 5 February 2015)*			
Yu Hai Sheng	*(resigned on 5 February 2015)*			
Ma Dayu	*(appointed on 5 February 2015 and resigned on 4 December 2015)*	✔		✔
Li Genfa	*(appointed on 5 February 2015 and resigned on 4 December 2015)*	✔		✔
Zhang Hongfei	*(resigned on 17 July 2015)*	✔		✔
Shi Jian	*(removed on 2 December 2015)*			
Shi Lizhou	*(resigned on 4 December 2015)*	✔	✔	✔
Non-executive Directors				
Cheung Wing Yui	*(resigned on 4 December 2015)*	✔		✔
Jin Bing Rong	*(resigned on 4 December 2015)*	✔		✔
Independent Non-executive Directors				
Zhuo Fumin		✔	✔	
Chan, Charles Sheung Wai		✔		✔
Yang Chao	*(retired on 1 January 2016)*	✔	✔	
Guoping		✔	✔	✔

Confirmation has been received from the Directors that they have provided sufficient time and attention to the affairs of the Group. Besides, the Directors have been disclosing to the Company their interests as the Director and other office in other public companies and organisations in a timely manner and update the Company on any subsequent changes.

Directors' and Officers' Liabilities

The Company has arranged appropriate liability insurance to indemnify its Directors and officers for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis. During the financial year ended 31 December 2015, no legal action was made against any of the Directors and officers in relation to duties performed for the Company.

Company Secretary

The company secretary of the Company is an employee of the Company, and is responsible for facilitating the procedures of the Board and advising the Board on corporate governance matters. During the year under review, the company secretary of the Company has taken not less than 15 hours of relevant professional training. As disclosed in the announcement of the Company dated 2 October 2015, the Company is in the process of identifying suitable candidate to fill in the vacancy of company secretary of the Company.

Directors' Responsibilities for the Financial Statements

The responsibility of the Directors is to prepare the financial statements, while the responsibility of the auditors is to express an opinion on the Group consolidated financial statements based on their audit, for particulars please refer to the "Independent Auditors' Report" section of this report. The Board should ensure such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for the relevant financial period. In regard of this, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. Besides, the Directors are also responsible for ensuring that the Group operates an efficient financial reporting system, keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Group has employed sufficient qualified staff to assist the preparation of financial statements.

Internal Control and Risk Management

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority designed to help the business to achieve its objectives, to safeguard assets against unauthorised use or disposition, to ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Auditors' Remuneration

During the year, the auditors of the Company, Messrs. Ernst & Young charged RMB4,810 thousand (equivalent to HK$5,975 thousand) for audit services and RMB750 thousand (equivalent to HK$932 thousand) for non-audit services.

Investor Relations

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

Corporate Governance Report

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

Investors may write to the Company at the principal place of business or via email to general@sregroup.com.hk for any enquiries.

During the year ended 31 December 2015, there is no change in the constitutional documents of the Company. The Memorandum of Association and Bye-laws of the Company are available on the website of the Company.

Shareholders' Right to convene and put forward Proposals at Special General Meetings

Pursuant to the Bye-laws of the Company, members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board and the Secretary of the Company at the principal place of business at the address which set out in Corporate Information of this annual report, to require a special general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner.

Independent Auditors' Report

To the shareholders of SRE Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SRE Group Limited (the "Company") and its subsidiaries set out on pages 51 to 136, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

Independent Auditors' Report

Opinion

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

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
31 March 2016

Consolidated Statement of Profit or Loss and other Comprehensive Income

Year ended 31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

	Notes	2015	2014
Revenue	5	**1,762,515**	1,439,956
Cost of sales	7	**(3,119,767)**	(1,133,304)
Gross (loss)/profit		**(1,357,252)**	306,652
Other (losses)/gains – net	6	**(191,335)**	964,797
Selling and marketing expenses	7	**(336,855)**	(77,148)
Administrative expenses	7	**(371,730)**	(270,308)
Operating (loss)/profit		**(2,257,172)**	923,993
Finance income	8	**38,189**	99,204
Finance costs	9	**(480,210)**	(456,753)
Finance costs – net		**(442,021)**	(357,549)
Share of profits of associates		**991**	1,431
(Loss)/profit before tax		**(2,698,202)**	567,875
Income tax credit/(expense)	12	**230,391**	(423,600)
(Loss)/profit for the year		**(2,467,811)**	144,275
Other comprehensive income			
Item not to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements into presentation currency		**(545,456)**	(30,908)
Other comprehensive income for the year, net of tax		**(545,456)**	(30,908)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(3,013,267)**	113,367

Consolidated Statement of Profit or Loss and other Comprehensive Income

Year ended 31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

	Notes	**2015**	2014
(Loss)/profit attributable to:			
Owners of the parent		**(2,364,415)**	(105,954)
Non-controlling interests		**(103,396)**	250,229
		(2,467,811)	144,275
Total comprehensive income attributable to:			
Owners of the parent		**(2,881,561)**	(137,611)
Non-controlling interests		**(131,706)**	250,978
		(3,013,267)	113,367
Loss per share attributable to ordinary equity holders of the parent	15		
– Basic		**HK(34.73) cents**	HK(1.87) cents
– Diluted		**HK(34.73) cents**	HK(1.87) cents

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

	Notes	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	17	**468,829**	1,672,425
Investment properties	18	**5,725,705**	6,709,310
Prepaid land lease payments	19	**50,842**	133,023
Goodwill	20	**227,370**	569,329
Investments in associates	22	**55,069**	57,512
Deferred tax assets	33	**310,284**	394,332
Non-current prepayments	24	**–**	6,338
Available-for-sale investment	16	**11,936**	12,676
Other non-current assets	29	**–**	34,225
		6,850,035	9,589,170
Current assets			
Prepaid land lease payments	19	**4,697,787**	12,193,194
Properties held or under development for sale	23	**5,192,599**	9,367,652
Inventories		**17,655**	18,014
Prepayments and other current assets	24	**2,623,121**	3,372,619
Other receivables	25	**360,978**	389,118
Trade receivables	26	**69,640**	47,356
Notes receivable	26	**645**	–
Prepaid income tax		**186,114**	240,763
Available-for-sale investment	16	**1,790**	–
Loans and receivables	28	**255,908**	–
Cash and bank balances	27	**3,049,760**	2,108,997
		16,455,997	27,737,713
Assets classified as held for sale	40	**11,493,976**	–
		27,949,973	27,737,713
Total assets		**34,800,008**	37,326,883

Consolidated Statement of Financial Position

31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

	Notes	2015	2014
EQUITY AND LIABILITIES			
Equity			
Issued share capital and share premium	30	**7,488,108**	6,000,738
Other reserves	31	**1,171,946**	1,688,257
(Accumulated losses)/retained profits	31	**(1,017,554)**	1,347,736
Equity attributable to owners of the parent		**7,642,500**	9,036,731
Non-controlling interests		**397,161**	566,804
Total equity		**8,039,661**	9,603,535
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings	32	**2,496,551**	12,365,003
Deferred tax liabilities	33	**1,647,654**	2,154,852
		4,144,205	14,519,855
Current liabilities			
Interest-bearing bank and other borrowings	32	**8,422,193**	7,229,169
Advances received from the pre-sale of properties under development	34	**2,361,360**	1,542,255
Trade payables	35	**814,468**	2,135,637
Other payables and accruals	36	**956,431**	721,529
Current income tax liabilities		**1,231,397**	1,574,903
		13,785,849	13,203,493
Liabilities directly associated with the assets classified as held for sale	40	**8,830,293**	–
		22,616,142	13,203,493
Total liabilities		**26,760,347**	27,723,348
Total equity and liabilities		**34,800,008**	37,326,883
Net current assets		**5,333,831**	14,534,220
Total assets less current liabilities		**12,183,866**	24,123,390

The accompanying notes are an integral part of these consolidated financial statements.

He Binwu	**Wang Zi Xiong**
Chairman	Vice-Chairman

Consolidated Statement of Changes in Equity

Year ended 31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

	Attributable to owners of the parent								
	Issued share capital and share premium (Note 30)	Asset revaluation reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
At 1 January 2015	6,000,738	1,211*	368,511*	1,709,198*	(390,663)*	1,347,736	9,036,731	566,804	9,603,535
Total comprehensive income for the year	–	–	–	(517,146)	–	(2,364,415)	(2,881,561)	(131,706)	(3,013,267)
Appropriation from retained profits	–	–	875	–	–	(875)	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	(37,031)	(37,031)
Issue of shares	1,490,000	–	–	–	–	–	1,490,000	–	1,490,000
Share issue expenses	(2,630)	–	–	–	–	–	(2,630)	–	(2,630)
Change due to other reserve of an associate	–	–	–	–	(40)	–	(40)	–	(40)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	(906)	(906)
At 31 December 2015	7,488,108	1,211*	369,386*	1,192,052*	(390,703)*	(1,017,554)	7,642,500	397,161	8,039,661

Consolidated Statement of Changes in Equity

Year ended 31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

	Attributable to owners of the parent										
	Issued share capital and share premium (Note 30)	Asset revaluation reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Equity component of convertible bonds	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
At 1 January 2014	6,000,738	1,211*	367,249*	1,740,855*	(397,261)*	2,810*	1,454,952	60,046	9,230,600	322,755	9,553,355
Total comprehensive income for the year	–	–	–	(31,657)	–	–	(105,954)	–	(137,611)	250,978	113,367
Appropriation from retained profits	–	–	1,262	–	–	–	(1,262)	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	21,878	21,878
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(20,430)	(20,430)
Change due to increase in equity interests in subsidiaries	–	–	–	–	192	–	–	–	192	(445)	(253)
Change due to decrease in equity interests in subsidiaries	–	–	–	–	3,596	–	–	–	3,596	(3,598)	(2)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(4,334)	(4,334)
Transfer upon the redemption of CB4	–	–	–	–	2,810	(2,810)	–	–	–	–	–
Final 2013 dividend distribution	–	–	–	–	–	–	–	(60,046)	(60,046)	–	(60,046)
At 31 December 2014	6,000,738	1,211*	368,511*	1,709,198*	(390,663)*	–*	1,347,736	–	9,036,731	566,804	9,603,535

* These reserve accounts comprise the consolidated reserves of HK$1,171,946 thousand (2014: HK$1,688,257 thousand) in the consolidated statement of financial position.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from/(used in) operations	37	4,444,979	(2,986,404)
Interest paid		(1,570,119)	(1,584,082)
Income tax paid		(154,763)	(159,129)
Net cash flows from/(used in) operating activities		2,720,097	(4,729,615)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(43,652)	(308,544)
Proceeds from disposal of items of property, plant and equipment		1,645	53,931
Payments for investment properties		(2,580)	(5,358)
Acquisition of subsidiaries		–	(14,724)
Disposal of subsidiaries		281,839	148,061
Purchase of available-for-sale investments		(1,790)	(12,676)
Reduction of capital of an associate		–	16,406
Settlement of receivables in connection with acquisition of Konmen Investment Limited		11,924	1,025
Advance received in relation to disposal of subsidiaries		129,143	–
Increase in loans to third parties		(255,908)	–
Decrease in time deposits with original maturity of over three months		–	2,543
Dividends received from an associate		–	3,111
Interest received		85,594	73,212
Net cash flows from/(used in) investing activities		206,215	(43,013)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,490,000	–
Share issue expenses		(2,630)	–
Decrease in pledged bank deposits		165,414	36,582
Decrease/(increase) in restricted deposits in relation to bank borrowings		29,287	(24,203)
Proceeds from short-term borrowings		2,392,841	1,695,457
Repayments of short-term borrowings		(1,428,832)	(742,933)
Proceeds from long-term borrowings		370,543	5,516,578
Repayments of long-term borrowings		(4,039,202)	(2,437,413)
Payments for the redemption of CB4		–	(8,813)
Dividends paid to the Company's shareholders		–	(60,046)
Dividends paid to non-controlling shareholders of a subsidiary		(906)	(4,334)
Net cash flows (used in)/from financing activities		(1,023,485)	3,970,875
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,902,827	(801,753)
Cash and cash equivalents at beginning of year		572,179	1,382,220
Effect of foreign exchange rate changes, net		(107,893)	(8,288)
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,367,113	572,179
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	27	1,707,757	572,179
Cash and cash equivalents attributable to assets classified to held for sale	40	659,356	–
Cash and cash equivalents as stated in the statement of cash flows		2,367,113	572,179

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Financial Statements

31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

SRE Group Limited (the "Company") was incorporated in Bermuda with limited liability on 11 August 1999 as an exempted company under the Bermuda Companies Act 1981. Pursuant to a group reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on Hong Kong Exchanges and Clearing Limited ("HKEx"), the Company became the holding company of the other companies comprising the Group on 12 November 1999. Further details of the Reorganisation are set out in the Company's prospectus dated 30 November 1999. The shares of the Company were listed on HKEx on 10 December 1999. The principal place of business of the Company is located at Suite 4006, 40/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong.

Currently, the Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in real estate development, property leasing and hotel operations in Mainland China.

In the opinion of the Directors, as at 31 December 2015, the Company's parent company is China Minsheng Jiaye Investment Co., Ltd. ("China Minsheng Jiaye"), which holds 60.78% of the Company's shares. SRE Investment Holding Limited ("SREI") holds 14.11% as at 31 December 2015. As at 31 December 2014, the Company's parent company was SREI, which held 51.43% of the Company's shares.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

In preparing the financial statements, the directors of the Company have considered the Group's sources of liquidity, its ability to maintain adequate cash inflow from operations and financing to meet its financial obligations as and when they fall due, and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

The financial statements have been prepared under the going concern basis as the Company's parent company, China Minsheng Jiaye has undertaken to provide financial support to the Company, including the extension of timing for the repayment of a shareholder loan to the Company when it became due (Note 42), the provision of back to back indemnity for consequential losses arising from certain guarantees issued by the Group (Note 39), and other measures if necessary to ensure that the Group would be able to meet its obligations as and when they fall due in the foreseeable future.

Basis of consolidation

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group's business, the Group's normal operating cycle is longer than 12 months. The Group's current assets include assets (such as properties held or under development for sale and land development for sale) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the end of the reporting period.

Notes to Financial Statements

31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The adoption of the above revised standards has had no significant effect on these financial statements.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements. Currently, the Group expects to adopt them when they become effective.

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

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

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

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

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

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

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

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

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

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

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Notes to Financial Statements

31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

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

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

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

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

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

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

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Hotel buildings	Shorter of 40 years and the remaining terms of the leases, which range from 30 to 40 years
Other buildings	20 years
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Furniture, fittings, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years

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

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

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss and other comprehensive income.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Operating leases

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

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

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the statement of profit or loss and other comprehensive income in other losses.

Available-for-sale financial investments

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

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

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

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

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

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, interest-bearing bank loans and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

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

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by HKAS 39 is recognised in the statement of profit or loss and other comprehensive income as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

(a) Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

(b) Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

(c) Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Properties held or under development for sale

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value.

The costs of properties held or under development for sale comprise specifically identified cost, including acquisition costs, development expenditures and borrowing costs and other related expenditure directly attributable to the development of such properties. Net realisable value is based on estimated selling prices in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Inventories

Inventories mainly comprise food, beverages, operating supplies and low value consumables used in hotel, and are stated at the lower of cost or net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

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

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

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

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

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

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

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

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

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

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Revenue recognition

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

Sale of development properties

Revenue from the sale of properties is recognised upon completion of a sale agreement, which refers to the time when properties are completed and delivered to the buyers. Deposits and instalments received on properties sold prior to completion of the respective sale agreements are included as advances received from the pre-sale of properties under development.

Property leasing under operating leases

Operating lease income from investment properties is recognised on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the properties together with any further terms for which the lessee has the option to continue to lease the properties, with or without further payments, when it is reasonably certain that the lessee will exercise the option at the inception of the lease.

Construction of infrastructure for an intelligent network

Revenue from the construction of infrastructure for an intelligent network is recognised as follows:

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred and it is probable that such costs incurred will be recovered.

Property management revenue

Property management revenue is recognised in the accounting period in which the services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Hotel operations

Revenue from hotel operations represents the income from hotel rooms and the sale of related food and beverages, which is recognised when the services are rendered or goods are sold.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established.

Employee benefits

Employee retirement scheme

The employees of the Group's entities which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute 14% to 22% (2014: 14% to 22%) of the standard salary announced by the government to the central pension scheme. The contributions are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme. In addition, the Group participates in the Mandatory Provident Fund Scheme, under which contributions of 5% of the Hong Kong employee's basic salaries are made by the employer and the Hong Kong employees, respectively. The provision and contributions have been included in the statement of profit or loss and other comprehensive income upon incurrence. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate has been applied to the expenditure on the individual assets.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants (including non-monetary grants) are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is deducted from the relevant asset before arriving at the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facilities services.

Dividends

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

For a distribution of non-cash assets to shareholders, the Group measures the liability to distribute non-cash assets as a dividend to its shareholders at the net carrying amount of the assets to be distributed when the non-cash asset is ultimately controlled by the same parties both before and after the distribution.

Foreign currencies

(a) Functional and presentation currencies

Items included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's and its subsidiaries' functional currency is Renminbi ("RMB"), as the major revenues are derived from operations in Mainland China. Since the Company is listed on HKEx, the Hong Kong dollar ("HK$") is chosen as the presentation currency to present these financial statements.

(b) Transactions and balances

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities of the Group are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period;

(ii) income and expenses of the Group are translated into the presentation currency at the average exchange rates for the period (unless such average rates are not the reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated into the presentation currency at the exchange rates ruling at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of which arise throughout the year are translated into the presentation currency at the weighted average exchange rates for the year.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, if any, and all monetary items that provide an effective hedge for such investments, if any, are recognised in other comprehensive income. When a foreign operation is disposed of, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities (except for contingent liabilities recognised in a business combination) and assets are not recognised on the statement of financial position of the Group and the Company.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was HK$227 million (2014: HK$569 million). For details of goodwill, please see Note 20.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

Investment properties were revalued at the end of each reporting period during the years ended 31 December 2015 and 31 December 2014 using the term and reversion method on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest, the direct capitalisation method by assuming a stabilised economic income capitalised by a market yield rate and the direct comparison approach with reference to the sales transactions of the comparable properties by independent professionally qualified valuers. These valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, 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.

Investment properties under construction are also carried at fair value as determined by independent professionally qualified valuers, except if such values cannot be reliably determined. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost. The fair value of investment properties under construction is determined using the residual method.

For details of change in fair values of investment properties and further details including the key assumptions used for fair value measurement and a sensitivity analysis in 2015, please see Note 18.

Deferred tax assets and liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of these provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the domicile of the respective group entity.

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed. For details of deferred tax assets and liabilities and income tax, please see Note 33 and Note 12.

Impairment of receivables

Impairment of receivables is made based on assessment of the recoverability of receivables. The identification of impairment of receivables requires management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will have impact on the carrying value of the receivables and impairment of receivables/reversal of impairment in the period in which such estimate has been changed.

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31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss and other comprehensive income.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. These estimates could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or management will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in Note 2.4. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs of disposal and the value in use, which involve the use of estimates.

For details of property, plant and equipment, please see Note 17.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment test exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

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

- The property development segment develops and sells residential and commercial properties;
- The property leasing segment leases offices and commercial properties owned by the Group which are classified as investment properties;
- The hotel operations segment provides hotel accommodation, hotel catering and conference hall services; and
- The corporate and other operations segment comprises, principally, the provision of property management services.

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4. OPERATING SEGMENT INFORMATION (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. The performance of each segment is evaluated based on its operating profit or loss before tax and the methodology used for its calculation is same as that for the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

An analysis by operating segment is as follows:

	2015				
	Property development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue					
Sales to external customers	1,193,504	109,947	199,926	259,138	1,762,515
Intersegment sales	–	–	–	47,635	47,635
	1,193,504	109,947	199,926	306,773	1,810,150
Reconciliation:					
Elimination of intersegment sales					(47,635)
Revenue					1,762,515
Segment (loss)/profit	(2,086,570)	(71,698)	18,076	(116,980)	(2,257,172)
Finance income					38,189
Finance costs					(480,210)
Finance costs – net					(442,021)
Share of profits of associates					991
Loss before tax					(2,698,202)
Segment assets and liabilities					
Segment assets	24,495,349	6,171,274	1,754,677	2,323,639	34,744,939
Investments in associates					55,069
Total assets					34,800,008
Segment liabilities	21,070,466	2,850,697	740,251	2,098,933	26,760,347
Total liabilities	21,070,466	2,850,697	740,251	2,098,933	26,760,347

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4. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows (continued):

	2015				
	Property development	Property leasing	Hotel operations	Corporate and other operations	Total
Other segment information:					
Depreciation and amortisation	6,360	252	44,150	1,433	52,195
Capital expenditure*	16,802	(18,187)	12,964	3,657	15,236
Fair value loss on investment properties, net	–	71,315	–	–	71,315
Impairment of goodwill	321,308	–	–	–	321,308
Write-down of properties held or under development for sale	670,017	–	–	–	670,017
Write-down of prepaid land lease payments	711,461	–	–	–	711,461
Provision for impairment of prepayments and other current assets	–	–	–	13,975	13,975
Provision for impairment of other non-current assets	–	–	–	27,019	27,019
Provision for impairment of other receivables	2,041	–	–	4,969	7,010

* Capital expenditure consists of additions of property, plant and equipment (HK$30,208 thousand), adjustment of investment properties (-HK$18,218 thousand) and prepaid land lease payments (HK$3,246 thousand).

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4. OPERATING SEGMENT INFORMATION (continued)

An analysis by operating segment is as follows (continued):

	2014				
	Property development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue					
Sales to external customers	960,402	106,078	183,755	189,721	1,439,956
Intersegment sales	–	–	–	60,973	60,973
	960,402	106,078	183,755	250,694	1,500,929
Reconciliation:					
Elimination of intersegment sales					(60,973)
Revenue					1,439,956
Segment (loss)/profit	(92,034)	1,047,315	9,160	(40,448)	923,993
Finance income					99,204
Finance costs					(456,753)
Finance costs – net					(357,549)
Share of profits of associates					1,431
Profit before tax					567,875
Segment assets and liabilities					
Segment assets	27,944,150	6,721,673	1,817,413	786,135	37,269,371
Investments in associates					57,512
Total assets					37,326,883
Segment liabilities	20,843,829	3,123,360	980,598	2,775,561	27,723,348
Total liabilities	20,843,829	3,123,360	980,598	2,775,561	27,723,348
Other segment information:					
Depreciation and amortisation	7,417	271	45,489	2,034	55,211
Capital expenditure*	4,093	5,402	387,199	6,111	402,805
Fair value gain on investment properties, net	–	993,326	–	–	993,326
Impairment of goodwill	79,398	–	–	–	79,398
Write-down of properties held or under development for sale	84,367	–	–	–	84,367
Write-down of prepaid land lease payments	9,296	–	–	–	9,296

* Capital expenditure consists of additions of property, plant and equipment (HK$397,447 thousand) and investment properties (HK$5,358 thousand).

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31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) As of 31 December 2015, 100% (2014: 100%) of the sales to external customers of the Group are generated from Mainland China.

(b) Non-current assets

As of 31 December 2015, more than 99% (2014: more than 99%) of the Group's non-current assets (based on the locations of the assets and excludes financial instruments and deferred tax assets) were located in Mainland China.

Information about major customers

The Group's customers from whom the revenue is derived are widely dispersed. No customer or a single group of customers which are known to be under common control contributed 10% or more of the Group's revenue for the years ended 31 December 2015 and 2014.

5. REVENUE

Revenue, represents the net invoiced value of goods sold; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; room charges from hotel operations and gross rental income received and receivable from investment properties during the year.

An analysis of revenue is as follows:

	2015	2014
Sale of development properties	**1,265,443**	1,021,621
Hotel operations	**210,495**	194,757
Revenue from property leasing (Note 18)	**118,875**	115,685
Property management revenue	**175,921**	172,205
Revenue from construction of infrastructure for an intelligent network	**9,148**	21,914
Other revenue	**87,999**	15,486
	1,867,881	1,541,668
Less: Business tax and surcharges	**(105,366)**	(101,712)
Total revenue	**1,762,515**	1,439,956

Business tax and surcharges

Business tax is calculated at 5% of the revenue from the sale of properties, hotel operations, the provision of property management services and property leasing and at 3% of the net income received from the construction of infrastructure for an intelligent network after deducting amounts payable to subcontractors.

Government surcharges, comprising City Maintenance and Construction Tax, Education Surtax and River Way Management Fee, are calculated at certain percentages of business tax.

31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

6. OTHER (LOSSES)/GAINS – NET

An analysis of other (loss)/gains – net is as follows:

	2015	2014
Fair value (loss)/gain on investment properties, net (Note 18)	(71,315)	993,326
(Loss)/gain on disposal of property, plant and equipment, net*	(41,861)	43,079
Impairment of goodwill (Note 20)	(321,308)	(79,398)
Gain on disposal of subsidiaries (Note 41)	235,644	1,662
Others	7,505	6,128
	(191,335)	964,797

* Loss of 2015 include reversal of gain recognized in 2014 amounting to HK$42 million, as sales could not be effected subsequently.

7. EXPENSE BY NATURE

An analysis of expense by nature is as follows:

	2015	2014
Cost of inventories sold (excluding depreciation, write-down of properties held or under development for sale and prepaid land lease payments)	1,695,735	996,034
Depreciation of items of property, plant and equipment (Note 17)	47,818	50,468
Employee benefit expense (including directors' and chief executive officer's emoluments):		
– Wages and salaries	145,505	103,018
– Other social welfare	24,553	23,816
	170,058	126,834
Write-down of properties held or under development for sale (Note 23)	670,017	84,367
Write-down of prepaid land lease payments (Note 19)	711,461	9,296
Agent and sale commission for sale of properties	235,912	16,063
Operating lease payments in respect of buildings	16,926	4,956
Auditors' remuneration (*)	6,907	5,275
Advertising costs	31,156	25,547
Miscellaneous tax	53,335	47,632
Transportation fee	11,089	11,746
Office expenses	7,500	5,961
Exhibition fees	725	3,609
Water and electricity costs	8,784	5,978
Business entertainment expenses	4,629	7,775
Provision for other receivables	7,010	–
Provision for prepayments and other current assets	13,975	–
Provision for other non-current assets	27,019	–
Others	108,296	79,219
	3,828,352	1,480,760

* Auditors' remuneration included non-audit service fees of HK$932 thousand in respect of services for circular issued in 2015.

31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

8. FINANCE INCOME

An analysis of finance income is as follows:

	2015	2014
Interest income	**41,103**	104,868
Net foreign exchange loss	**(2,914)**	(5,664)
	38,189	99,204

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
Interest expense:		
Interest on bank borrowings and other borrowings – wholly repayable within five years	**1,418,170**	1,401,354
Interest on bank borrowings and other borrowings – wholly repayable beyond five years	**153,019**	181,211
Interest on CB4 – wholly repayable within five years	**–**	872
	1,571,189	1,583,437
Less: Interest capitalised	**(1,090,979)**	(1,126,684)
Finance costs	**480,210**	456,753

During the year ended 31 December 2015, the weighted average interest capitalisation rate was 10.32% (2014: 9.26%).

10. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

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

	2015	2014
Fees	**2,040**	2,057
Other emolument:		
Salaries	**10,404**	14,405
	12,444	16,462

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10. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION (continued)

Executive directors, non-executive directors and independent non-executive directors:

	2015		
Name of directors and the chief executive officer	**Salaries**	**Fees**	**Total**
Executive directors			
– Mr. Yu Hai Sheng (resigned in 2015)	250	–	250
– Mr. Wang Zi Xiong	2,518	–	2,518
– Mr. Shi Jian (suspension of duties from September 2015)	2,000	–	2,000
– Mr. Li Yao Min (resigned in 2015)	167	–	167
– Mr. Zhang Hongfei (resigned in 2015)	1,136	–	1,136
– Mr. Shi Lizhou (resigned in 2015)	1,047	–	1,047
– Mr. Shi Janson Bing (appointed in 2015)	711	–	711
– Mr. Ma Dayu (appointed and resigned in 2015)	1,170	–	1,170
– Mr. Li Genfa (appointed and resigned in 2015)	1,129	–	1,129
– Mr. He Binwu (appointed in 2015)	135	–	135
– Mr. Peng Xinkuang (Chief executive officer and appointed in 2015)	126	–	126
– Mr. Chen Chao (appointed in 2015)	5	–	5
– Mr. Zhao Xiaodong (appointed in 2015)	5	–	5
– Mr. Zhu Qiang (appointed in 2015)	5	–	5
Non-executive directors			
– Mr. Cheung Wing Yui (resigned in 2015)	–	360	360
– Mr. Jin Bing Rong (resigned in 2015)	–	330	330
Independent non-executive directors			
– Mr. Chan, Charles Sheung Wai	–	330	330
– Mr. Zhuo Fumin	–	360	360
– Mr. Yang Chao (will retire upon expiration of service term with effect from 1 January 2016)	–	330	330
– Mr. Guoping	–	330	330
Total	10,404	2,040	12,444

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10. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION (continued)

	2014		
Name of directors and the chief executive officer	Salaries	Fees	Total
Executive directors			
– Mr. Yu Hai Sheng	3,000	–	3,000
– Mr. Jiang Xu Dong (resigned in 2014)	2,500	–	2,500
– Mr. Wang Zi Xiong (Chief executive officer)	2,525	–	2,525
– Mr. Shi Jian	2,000	–	2,000
– Mr. Li Yao Min	2,000	–	2,000
– Mr. Zhang Hongfei	1,326	–	1,326
– Mr. Shi Lizhou	1,054	–	1,054
Non-executive directors			
– Mr. Cheung Wing Yui	–	360	360
– Mr. Jin Bing Rong	–	330	330
Independent non-executive directors			
– Mr. Chan, Charles Sheung Wai	–	330	330
– Mr. Yuan Pu (resigned in 2014)	–	275	275
– Mr. Zhuo Fumin	–	360	360
– Mr. Yang Chao	–	330	330
– Mr. Guoping (appointed in 2014)	–	72	72
Total	14,405	2,057	16,462

No discretionary bonuses, inducement fees, employer's contribution to pension schemes or compensation for loss of office as directors were given to any of the directors during the years ended 31 December 2015 and 2014.

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

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three directors (2014: were all directors), details of whose remuneration are set out in Note 10 above. Details of the remuneration for the year of the remaining two (2014: none) highest paid employees who are neither a director nor chief executive officer of the Company are as follows:

	2015	2014
Salaries, housing allowances, other allowances and benefits in kind	**4,100**	–

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2015	2014
HK$2,000,001 – HK$3,000,000	**1**	–
HK$1,500,001 – HK$2,000,000	**1**	–
	2	–

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12. INCOME TAX (CREDIT)/EXPENSE

An analysis of income tax is as follows:

	2015	2014
Current taxation		
– Mainland China income tax (a)	**41,628**	15,963
– Mainland China LAT (c)	**(24,742)**	77,176
	16,886	93,139
Deferred taxation		
– Mainland China income tax	**(199,058)**	388,293
– Mainland China LAT	**(16,985)**	(49,739)
– Mainland China withholding tax (d)	**(31,234)**	(8,093)
	(247,277)	330,461
Total tax (credit)/charge for the year	**(230,391)**	423,600

(a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25% in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition based on certain estimations. The outstanding balance of prepaid income tax was approximately HK$74 million as at 31 December 2015 (2014: HK$81 million).

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2016. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

(c) Mainland China land appreciation tax ("LAT")

LAT is incurred upon transfer of property and land ownership and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures.

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12. INCOME TAX (CREDIT)/EXPENSE (continued)

(c) Mainland China land appreciation tax ("LAT") (continued)

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 2% to 5% (2014: 1.5% to 5%) on proceeds from the sale and pre-sale of properties. Prepaid LAT has been recorded in "prepaid income tax" with an amount of approximately HK$112 million as at 31 December 2015 (2014: approximately HK$160 million). The credit to the statement of profit or loss and other comprehensive income in 2015 was due to the reversal of provision upon the final assessment of LAT for certain projects.

(d) Mainland China withholding tax

Pursuant to the PRC Corporate Income Tax Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from retained profits as at 31 December 2007 are exempted from withholding tax.

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rate of 25% for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

	2015	2014
(Loss)/profit before tax	**(2,698,202)**	567,875
Tax at the applicable tax rate of 25%	**(674,551)**	141,969
Tax effect of results attributable to associates	**(248)**	(358)
Impact of LAT (which is itself classified as part of income tax) as it is deductible for income tax purposes	**10,432**	(6,859)
Income not subject to tax	**(16,929)**	(1,007)
Tax losses not recognised	**186,183**	98,754
Impairment of goodwill	**80,327**	19,850
Expenses not deductible for tax	**3,007**	4,177
Temporary difference not recognised as deferred tax assets due to non-recoverability	**179,886**	–
Previously recognised deferred tax assets arising from tax losses and temporary difference written off	**74,463**	147,730
Effect of withholding tax at 10% on the retained profits expected to be distributed, for the Group's subsidiaries in Mainland China	**(31,234)**	(8,093)
Mainland China income tax	**(188,664)**	396,163
Mainland China LAT (including deferred LAT)	**(41,727)**	27,437
Total tax (credit)/expense for the year at the Group's effective tax rate	**(230,391)**	423,600

The share of taxes attributable to associates amounting to approximately HK$0.1 million (2014: nil) is included in "share of profits of associates" on the face of the consolidated statement of profit or loss and other comprehensive income.

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13. PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTEREST

Details of the Group's subsidiary that has material non-controlling interest are set out below:

	2015	2014
Percentage of equity interest held by non-controlling interest:		
Shanghai Skyway Hotel Co., Ltd. ("Skyway")	**44.58%**	44.58%

	2015	2014
Profit for the year allocated to non-controlling interest:		
Skyway	**10,400**	258,301
Accumulated balance of non-controlling interests at the reporting dates:		
Skyway	**107,173**	96,288

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

Skyway	2015	2014
Revenue	**274,196**	379,109
Total expense	**384,062**	406,579
Other gains	**166,561**	1,016,241
Profit for the year	**23,329**	579,396
Total comprehensive income for the year	**23,329**	579,396
Current assets	**51,225**	42,108
Non-current assets	**2,396,727**	2,335,340
Current liabilities	**(81,093)**	(60,831)
Non-current liabilities	**(2,126,459)**	(2,100,633)
Net cash flows from/(used in) operating activities	**34,938**	(22,010)
Net cash flows from/(used in) investing activities	**807**	(1,067)
Net cash flow (used in)/from financing activities	**(22,857)**	13,604
Effect of foreign exchange rate changes, net	**378**	(137)
Net increase/(decrease) in cash and cash equivalents	**13,266**	(9,610)

14. DIVIDENDS PAID AND PROPOSED

The Board of Directors has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2015 (2014: nil).

15. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 6,807,727 thousand (2014: 5,664,713 thousand) in issue during the year.

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

The following reflects the income and share data used in the basic and diluted loss per share computations:

	2015	2014
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic and diluted loss per share calculations	**(2,364,415)**	(105,954)

	Number of shares	
	2015	2014
	(Thousand shares)	(Thousand shares)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**6,807,727**	5,664,713

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

16. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
Non-current		
Unlisted equity investment, at cost (a)	**11,936**	12,676
Current		
Available-for-sale financial assets (b)	**1,790**	–

(a) The balance is related to an investment in an unlisted company in Mainland China.

(b) The balance represented a short-term investment product issued by banks which was purchased by the Group to earn higher returns from liquid funds. Its original maturity was less than three months upon acquisition. According to the terms, neither repayment of principal nor investment returns are guaranteed for such investment product. The investment product has subsequently been redeemed without any investment loss in 2016.

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17. PROPERTY, PLANT AND EQUIPMENT

	2015					
	Buildings	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost						
Beginning of year	520,211	4,693	392,462	65,922	1,139,502	2,122,790
Additions	10,105	–	2,622	4,665	12,816	30,208
Disposals	–	(517)	(4,655)	(4,700)	–	(9,872)
Reclassified to held for sale	–	–	(1,074)	(6,733)	(1,085,218)	(1,093,025)
Disposal of subsidiaries	–	–	(133)	(367)	–	(500)
Exchange realignment	(30,759)	(254)	(22,825)	(3,838)	(67,011)	(124,687)
End of year	499,557	3,922	366,397	54,949	89	924,914
Accumulated depreciation and impairment						
Beginning of year	100,186	1,391	291,643	57,145	–	450,365
Depreciation charge (Note 7)	13,977	896	30,855	2,090	–	47,818
Disposals	–	(369)	(3,741)	(4,116)	–	(8,226)
Reclassified to held for sale	–	–	(790)	(4,775)	–	(5,565)
Disposal of subsidiaries	–	–	(125)	(356)	–	(481)
Exchange realignment	(6,395)	(102)	(18,080)	(3,249)	–	(27,826)
End of year	107,768	1,816	299,762	46,739	–	456,085
Net carrying amount						
Balance, end of year	391,789	2,106	66,635	8,210	89	468,829
Balance, beginning of year	420,025	3,302	100,819	8,777	1,139,502	1,672,425

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17. PROPERTY, PLANT AND EQUIPMENT (continued)

	2014					
	Buildings	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost						
Beginning of year	534,176	3,710	391,437	70,196	753,387	1,752,906
Additions	–	991	6,397	1,963	388,096	397,447
Disposals	(12,083)	–	(857)	(5,979)	–	(18,919)
Acquisition of subsidiaries	–	–	1,126	–	–	1,126
Disposal of subsidiaries	–	–	(4,304)	–	(1,118)	(5,422)
Exchange realignment	(1,882)	(8)	(1,337)	(258)	(863)	(4,348)
End of year	520,211	4,693	392,462	65,922	1,139,502	2,122,790
Accumulated depreciation and impairment						
Beginning of year	88,050	678	260,988	59,606	–	409,322
Depreciation charge (Note 7)	14,199	712	32,340	3,217	–	50,468
Disposals	(1,817)	–	(787)	(5,464)	–	(8,068)
Acquisition of subsidiaries	–	–	632	–	–	632
Disposal of subsidiaries	–	–	(771)	–	–	(771)
Exchange realignment	(246)	1	(759)	(214)	–	(1,218)
End of year	100,186	1,391	291,643	57,145	–	450,365
Net carrying amount						
Balance, end of year	420,025	3,302	100,819	8,777	1,139,502	1,672,425
Balance, beginning of year	446,126	3,032	130,449	10,590	753,387	1,343,584

Depreciation expenses of approximately HK$42,554 thousand (2014: approximately HK$43,607 thousand), of approximately HK$81 thousand (2014: approximately HK$198 thousand) and of approximately HK$5,183 thousand (2014: approximately HK$6,663 thousand) had been respectively expensed in cost of goods sold, selling and marketing expenses and administrative expenses.

As at 31 December 2015, the property, plant and equipment with a net carrying amount of HK$434,021 thousand (2014: HK$1,668,422 thousand) were pledged as collateral for the Group's bank and other borrowings (Note 32). Property, plant and equipment with a net carrying amount of HK$9,540 thousand had been pledged as collateral for banking facilities to a subsidiary of China New Town Development Company Limited ("CNTD") (Note 39).

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18. INVESTMENT PROPERTIES

Completed investment properties

	2015	2014
At beginning of year	**6,709,310**	5,214,575
Transfer from prepaid land lease payments (Note 19)	**–**	37,817
Transfer to prepaid land lease payments (Note 19)	**(4,403)**	–
Transfer from properties held or under development for sale	**–**	469,401
Transfer to properties held or under development for sale	**(73,127)**	–
Fair value (loss)/gain (Note 6)	**(71,315)**	993,326
(Reduction)/addition in cost	**(18,218)**	5,358
Reclassified to held for sale (Note 40)	**(431,480)**	–
Exchange realignment	**(385,062)**	(11,167)
At end of year	**5,725,705**	6,709,310

The investment properties as at 31 December 2015 mainly represent the following properties:

– Portions of eight multi-storey shopping malls and car-park places at Putuo District, Shanghai, with a total fair value of approximately HK$1,222 million, for which the operating leases entered into have terms ranging from 2 to 15 years;

– A seven-storey shopping mall at Shenhe District, Shenyang, with a total fair value of approximately HK$2,957 million, for which the operating leases entered into have terms ranging from 1 to 15 years; and

– 105 suites of office of SRE Finance Centre at Huangpu District, Shanghai, with a total fair value of approximately HK$1,522 million, for which the operating leases entered into have terms ranging from two to three years.

Fair value hierarchy

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

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**5,447,090**	**5,447,090**
Car parks	**–**	**–**	**278,615**	**278,615**
	–	**–**	**5,725,705**	**5,725,705**

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18. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Commercial properties	–	–	6,417,788	6,417,788
Car parks	–	–	291,522	291,522
	–	–	6,709,310	6,709,310

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

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

	Commercial properties	**Car parks**	**Total**
Carrying amount at 1 January 2014	4,923,542	291,033	5,214,575
Transfer from prepaid land lease payments (Note 19)	37,817	–	37,817
Transfer from properties held or under development for sale	469,401	–	469,401
Fair value gain (Note 6)	991,847	1,479	993,326
Addition in cost	5,358	–	5,358
Exchange realignment	(10,177)	(990)	(11,167)
Carrying amount at 31 December 2014 and 1 January 2015	**6,417,788**	**291,522**	**6,709,310**
Transfer to properties held or under development for sale	**(73,127)**	**–**	**(73,127)**
Transfer to prepaid land lease payments (Note 19)	**(4,403)**	**–**	**(4,403)**
Fair value (loss)/gain (Note 6)	**(75,591)**	**4,276**	**(71,315)**
Reduction in cost	**(18,218)**	**–**	**(18,218)**
Reclassified to held for sale (Note 40)	**(431,480)**	**–**	**(431,480)**
Exchange realignment	**(367,879)**	**(17,183)**	**(385,062)**
Carrying amount at 31 December 2015	**5,447,090**	**278,615**	**5,725,705**

As at 31 December 2015, the Group's investment properties were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), an independent professionally qualified property valuer and consultant. The valuations were performed based on the income approach (term and reversion method or direct capitalisation method) or direct comparison approach for those investment properties. The following significant unobservable inputs for income approach have been used:

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18. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Yield	**2015**	2014
Shanghai Oasis Central Ring Centre	**6%-6.5%**	6%-6.5%
Shenyang Richgate Shopping Mall	**5%-6%**	5%-6%
Shanghai Shuocheng Supermarket	**5%-5.5%**	5%-5.5%

The term and reversion method measures the fair value of the property by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates. The direct capitalisation method measures the fair value of the property by assuming a stabilised economic income capitalised by a market yield rate. The market yield was developed based on the research on the sales and rental evidences of the similar properties in the surrounding market and assuming the existing tenancy will be extended. A significant increase/(decrease) in the estimated market yield would result in a significant decrease/(increase) in the fair value of the investment properties.

The direct comparison approach measures the fair value of the property with reference to the sales transactions of the comparable properties as available in the market and the consideration of due adjustments for differences between the subject property and the comparable ones. The adjustments would reflect the differences in location, infrastructure availability, neighbourhood environment, and size of the properties in the determination of the adjusted price. A significant increase/(decrease) in the adjusted unit price of comparable properties would result in a significant increase/(decrease) in the fair value of the investment properties.

As at 31 December 2015, the Group's investment properties of approximately HK$5,700 million (2014: HK$6,488 million) were pledged as collateral for the Group's bank and other borrowings (Note 32). In May 2014, the property held by Shenyang Huarui Shiji Asset Management Co., Ltd., a subsidiary of the Group ("the subsidiary"), which had already been pledged for the subsidiary's own borrowings, was also second pledged to a bank ("the Bank") for loan facilities to six companies amounting to RMB175 million in form. In substance, the subsidiary and the six companies participated in the arrangement so that the Bank could derecognize non-performing loans on its books using the loan proceeds i.e. the apparent disposal of non-performing loans in order to manage its non-performing loans ratio, which in reality had not taken place at that time. Neither the subsidiary nor the six companies held on to the loan proceeds nor were involved in the management of the non-performing loans and the Bank had provided an officially stamped letter of undertaking which essentially absolve the companies participating in the arrangement from any economic losses, arising from litigation or the performance of the non-performing loans. The Directors are of the view that the Group will not suffer economic loss from this arrangement. Management took steps to release the second pledge which was completed after the balance sheet date.

The following amounts relating to the investment properties have been recognised in profit or loss:

	2015	2014
Rental income (Note 5)	**118,875**	115,685
Direct operating expenses arising from investment properties that generate rental income	**(22,944)**	(25,567)
(Loss)/gain from (decrease)/increase in fair value (Note 6)	**(71,315)**	993,326

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19. PREPAID LAND LEASE PAYMENTS

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	2015	2014
At beginning of year	12,326,217	11,438,390
Additions	47,567	1,263,119
Transfer from investment properties (Note 18)	4,403	–
Transfer to investment properties (Note 18)	–	(37,817)
Amortisation capitalised as properties under development for sale	(426,968)	(202,150)
Disposals with the sale of completed properties	(359,227)	(97,603)
Disposal of subsidiaries	(1,215,575)	–
Amortisation provided during the year	(4,377)	(4,477)
Write-down of prepaid land lease payments (Note 7)	(711,461)	(9,296)
Reclassified to held for sale	(4,272,573)	–
Disposals of property, plant and equipment	–	(3,297)
Exchange realignment	(639,377)	(20,652)
At end of year	4,748,629	12,326,217

	2015	2014
Analysed as:		
Non-current: In relation to properties classified under property, plant and equipment	50,842	133,023
Current: In relation to properties held or under development for sale	4,697,787	12,193,194
	4,748,629	12,326,217

The movements in provision for write-down of prepaid land lease payments are as follows:

	2015	2014
At 1 January	37,911	28,672
Write-down of prepaid land lease payments recognised	711,461	9,296
Exchange realignment	(30,066)	(57)
At 31 December	719,306	37,911

As at 31 December 2015, the Group's leasehold land of approximately HK$2,475 million (2014: HK$7,711 million) was pledged as collateral for the Group's bank and other borrowings (Note 32). Leasehold land with carrying amount of approximately HK$3,064 thousand had been pledged as collateral for banking facilities of a subsidiary of CNTD (Note 39).

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20. GOODWILL

	2015	2014
Cost		
At beginning of year	**723,611**	726,100
Acquisition of subsidiaries	**–**	14,729
Disposal of subsidiaries	**(5,978)**	(14,668)
Exchange realignment	**(42,193)**	(2,550)
At end of year	**675,440**	723,611
Accumulated impairment		
At beginning of year	**154,282**	74,792
Impairment losses recognised (Note 6)	**321,308**	79,398
Disposal of subsidiaries	**(5,978)**	–
Exchange realignment	**(21,542)**	92
At end of year	**448,070**	154,282
Net carrying amount		
Balance, end of year	**227,370**	569,329
Balance, beginning of year	**569,329**	651,308

Impairment testing of goodwill

Goodwill acquired through certain business combinations has been mainly allocated to the following cash-generating units for impairment testing:

– Shenyang Albany Oasis Garden

– Richgate I

– Huating

These cash-generating units are parcels of land in the cities of Shenyang and Shanghai and properties currently under development on these parcels will be available for sale in the forthcoming one to four years.

The recoverable amounts of Shenyang Albany Oasis Garden, Richgate I and Huating property development project cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on forecasts covering five-year, six-year and one-year periods respectively, approved by management. The post-tax discount rates applied to the cash flow projections are 10% (2014: 10%), 10% (2014: 10%) and 10% (2014: 10%), respectively. The implied pre-tax discount rates for the cash flow projections are 9.5% (2014: 26.6%), 12.2% (2014: 11.3%) and 65.9% (2014: 32.4%), respectively. A professional valuer, Jones Lang LaSalle, was engaged to assist the Group in determining the estimated values in use. The recoverable amounts applied to the cash flow projections are approximately HK$1,512 million, HK$2,020 million and HK$998 million, respectively. The carrying amounts applied to the cash flow projections are approximately HK$2,799 million, HK$1,846 million and HK$891 million, respectively.

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20. GOODWILL (continued)

The cost of goodwill allocated to each of the major cash-generating units before impairment is as follows:

	2015	2014
Shenyang Albany Oasis Garden (a)	**377,957**	401,385
Richgate I	**90,554**	96,167
Huating	**172,301**	182,981
Lushan project (b)	**–**	6,230
Others	**34,628**	36,848
	675,440	723,611

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill with the assistance from Jones Lang LaSalle:

– Selling prices – The market prices of comparable properties nearby

– Construction costs – The estimated costs including infrastructure costs to complete the property development projects

– Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant cash-generating units

The values assigned to key assumptions are based on historical experiences, current market condition, approved budgets and forecasts, and are consistent with external information sources.

(a) As at 31 December 2015, the Group assessed the impairment on goodwill and determined that the carrying amount of goodwill arising from the acquisition of Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("Liaoning Gao Xiao") was higher than its recoverable amount. Considering the current market condition in Shenyang and the actual selling price of Shenyang Albany Oasis Garden (Phases II and III), management estimated that the future cash flows that could be generated from the sale of this property (including the remaining developed Phase II and Phase III under development) would probably be reduced, resulting in the significant decrease of value-in-use. As a result, the Company provided an impairment loss of approximately RMB259 million (approximately HK$321 million) (2014: impairment loss of RMB58 million (approximately HK$73 million)) in the Group's consolidated financial statements for the year ended 31 December 2015. In addition to the goodwill impairment recognised, impairment provision was also made to state the properties held or under development for sale and prepaid land lease payments of Liaoning Gao Xiao at net realisable value (Note 23).

(b) With the disposal of Shanghai Lushan Real Estate Ltd. ("Lushan") (Note 41(b)), the goodwill of approximately RMB4.9 million (approximately HK$6 million), which was fully impaired in 2014, was derecognised in 2015, along with the impairment.

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21. INFORMATION ABOUT SUBSIDIARIES

As at 31 December 2015, the Company had direct or indirect interests in the following principal subsidiaries:

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Sinopower Investment Limited	British Virgin Islands ("BVI") 1 October 1998	100%	–	US$52	US$50,000	Investment holding
Shanghai Xin Dong Industry Co., Ltd.	PRC/Mainland China 28 May 1993	–	98%	US$3,457,729	US$3,457,729	Property leasing and real estate agency
Shanghai Real Estate Property Management Co., Ltd.	PRC/Mainland China 1 September 1995	–	100%	RMB42,200,000	RMB42,200,000	Property management
Shanghai Oasis Garden Real Estate Co., Ltd. ("Oasis Garden")	PRC/Mainland China 29 September 1998	–	98.75%	US$19,600,000	US$19,600,000	Property development
Shanghai Wingo Infrastructure Co., Ltd.	PRC/Mainland China 4 August 1999	–	98.96%	US$20,000,000	US$20,000,000	Development of technology housing and provision of construction services
Shanghai Zhufu Property Development Co., Ltd. ("Zhufu")	PRC/Mainland China 11 August 2000	–	50.36%	RMB10,000,000	RMB10,000,000	Property development
Anderson Land (Shanghai) Ltd.	BVI 29 September 2001	–	52%	US$100	US$50,000	Investment holding
Shanghai Anderson Fuxing Land Co., Ltd.	PRC/Mainland China 16 April 2002	–	51.48%	US$20,000,000	US$20,000,000	Property development
Shanghai Hangtou Govern Real Estate Co., Ltd.	PRC/Mainland China 14 June 2002	–	98%	US$10,000,000	US$10,000,000	Property development
Shanghai Andong Real Estate Development Ltd.	PRC/Mainland China 18 October 2007	–	99%	RMB370,000,000	RMB370,000,000	Property development
Shanghai Jinwu Real Estate Co., Ltd.	PRC/Mainland China 12 August 2002	–	95.79%	US$54,962,000	US$54,962,000	Property development and property leasing
Shanghai Jinxin Real Estate Co., Ltd.	PRC/Mainland China 28 October 2002	–	100%	RMB700,000,000	RMB700,000,000	Property development

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21. INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Shanghai Skyway Hotel Co., Ltd. ("Skyway")	PRC/Mainland China 9 December 2002	–	55.42%	RMB200,000,000	RMB200,000,000	Hotel operations
Shenyang Huarui Shiji Asset Management Co., Ltd. ("Huarui Asset Management")	PRC/Mainland China 30 October 2007	–	100%	US$31,936,200	US$31,936,200	Property leasing
Shanghai Shuo Cheng Real Estate Co., Ltd. ("Shuo Cheng") (**)	PRC/Mainland China 29 January 2003	–	100%	RMB450,000,000	RMB450,000,000	Property development
Shanghai Shangzhi Real Estate Development Co., Ltd.	PRC/Mainland China 16 October 2008	–	98.75%	RMB10,000,000	RMB10,000,000	Property development
Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("Liaoning Gao Xiao")	PRC/Mainland China 4 December 2000	–	97.5%	RMB750,000,000	RMB750,000,000	Property development
Haikou Century Harbour City Co., Ltd. ("Haikou Century") (**)	PRC/Mainland China 25 June 2008	–	79%	RMB220,000,000	RMB220,000,000	Property development
Shenyang Lukang Real Estate Ltd. ("Shenyang Lukang")	PRC/Mainland China 13 July 2007	–	98.95%	US$31,250,000	US$31,250,000	Property development
Haikou Century Richgate Business Administration Co., Ltd.	PRC/Mainland China 20 October 2008	–	100%	US$300,000	US$300,000	Hotel administration
Shanghai Xiangdao Real Estate Ltd. ("Xiangdao")	PRC/Mainland China 21 July 2009	–	98.75%	RMB330,000,000	RMB330,000,000	Property development
Shanghai Xiabo Industry Ltd.	PRC/Mainland China 14 September 1995	–	98.75%	RMB3,000,000	RMB3,000,000	Property development
Shanghai Haibo Property Development Co., Ltd.	PRC/Mainland China 27 December 1996	–	98.75%	RMB15,000,000	RMB15,000,000	Property development
Shanghai Bairun Real Estate Co., Ltd. ("Bairun")	PRC/Mainland China 16 May 2002	–	50.36%	RMB605,500,000	RMB605,500,000	Property development
Wuxi Zhongqing Real Estate Co., Ltd. ("Wuxi Zhongqing")	PRC/Mainland China 11 July 2008	–	98.75%	RMB85,000,000	RMB85,000,000	Property development

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21. INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Wuxi Yongqing Real Estate Co., Ltd. (“Wuxi Yongqing”)	PRC/Mainland China 27 January 2007	–	98.75%	RMB20,000,000	RMB20,000,000	Property development
Jiaxing Lake Richgate Real Estate Co., Ltd. (“Jiaxing Lake Richgate”)	PRC/Mainland China 26 September 2007	–	98.75%	US$49,900,000	US$49,900,000	Property development
Shanghai Zhiyi Enterprise Ltd.	PRC/Mainland China 14 March 2011	–	98.96%	RMB30,000,000	RMB30,000,000	Procurement management
Shanghai Lake Malaren Property Management Co., Ltd.	PRC/Mainland China 23 June 2005	–	100%	RMB5,000,000	RMB5,000,000	Property management
Shanghai Shanghui Construction Co., Ltd. (*)	PRC/Mainland China 26 Nov 2012	–	98.96%	RMB5,000,000	RMB5,000,000	Procurement management
Dalian Shangzhi Real Estate Development Co., Ltd.	PRC/Mainland China 19 July 2013	–	50.36%	RMB30,000,000	RMB30,000,000	Property development
Shanghai Zhi Yi Investment Ltd.	PRC/Mainland China 21 January 2014	–	98.96%	RMB140,000,000	RMB790,000,000	Investment

* Shanghai Shanghui Construction Co., Ltd. was previously known as Shanghai Qian Ying Finance Service Co., Ltd.

** These subsidiaries were disposed of in subsequent period and were reclassified as “Assets/Liabilities held for sale” as at 31 December 2015 (Note 40).

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

Other than disclosed above, the Company has several investment holding subsidiaries incorporated in the BVI or Hong Kong with nominal issued shares. All subsidiaries located in Mainland China are limited liability entities.

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22. INVESTMENTS IN ASSOCIATES

	2015	2014
Share of net assets	55,069	57,512
Less: Provision for impairment	–	–
	55,069	57,512

As at the 31 December 2015, the Company had indirect interests in the following material associates:

Name	Place and date of incorporation or establishment and business	Proportion of ownership interest		Issued and paid-up capital	Authorised share capital	Principal activities
		Held by the Company	Indirectly held			
Shanghai Housing Industry New Technology Development Co., Ltd. ("New Technology")	PRC/Mainland China 6 May 1997	–	26%	RMB50,000,000	RMB50,000,000	Research and development of housing technology
Shanghai Telecom Broadband Networking Co., Ltd. ("Broadband")	PRC/Mainland China 24 October 2000	–	19.80%*	RMB100,000,000	RMB100,000,000	Development and sale of netware and construction of broadband fibre projects

* The Group considered that it is able to exercise significant influence over Broadband through its non-wholly-owned subsidiary which holds a 20% equity interest in Broadband.

The financial year end dates of the above associates are coterminous with that of the Group.

The Group's shareholdings in the associates comprise equity shares held through certain wholly-owned subsidiaries and non-wholly-owned subsidiaries of the Company. All the above associates have been accounted for using the equity method in the consolidated financial statements.

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22. INVESTMENTS IN ASSOCIATES (continued)

Extracts of financial information of principal associates

The following tables illustrate the financial information of the Group's principal associates as extracted from their financial statements:

(1) Broadband

	2015	2014
Current assets	164,882	167,050
Non-current assets	52,397	55,161
Current liabilities	(45,656)	(41,399)
Net assets	171,623	180,812
Revenue	120,986	128,394
Profit after tax	1,420	1,125
Total comprehensive income for the year	1,420	1,125
Dividend received	–	3,111

(2) New Technology

	2015	2014
Current assets	45,457	41,481
Non-current assets	30,289	35,836
Current liabilities	(5,033)	(4,850)
Net assets	70,713	72,467
Revenue	350	4,634
Profit after tax	2,730	4,647
Total comprehensive income for the year	2,730	4,647
Dividend received	–	–

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23. PROPERTIES HELD OR UNDER DEVELOPMENT FOR SALE

	2015	2014
At cost		
– In Shanghai City, PRC	2,706,901	5,888,666
– In Shenyang City, PRC	1,491,854	2,013,990
– In Wuxi City, PRC	152,463	353,003
– In Jiaxing City, PRC	779,730	984,606
– In Haikou City, PRC	–	93,118
– In Dalian City, PRC	61,651	34,269
	5,192,599	9,367,652

	2015	2014
Properties held or under development expected to be completed		
– Within one year	2,674,206	4,183,162
– After one year	2,518,393	5,184,490
	5,192,599	9,367,652

The movements in provision for write-down of properties held or under development for sale are as follows:

	2015	2014
At 1 January	231,272	147,035
Write-down of properties held or under development (Note 7)	670,017	84,367
Exchange realignment	(39,730)	(130)
At 31 December	861,559	231,272

The oversupply of properties in the third and fourth-tier cities in Mainland China resulted in a decline in both property sales and its gross margin. As a result, greater amount of impairment losses for certain properties under development had to be recognised in 2015.

The write-down of properties held or under development in 2015 was mainly for the properties owned by Liaoning Gao Xiao, Shenyang Lukang, Jiaxing Lake Richgate and Wuxi Zhongqing (2014: mainly for Shenyang Lukang and Wuxi Zhongqing).

As at 31 December 2015 and 2014, certain of the Group's properties held or under development for sale had been pledged as collateral for the Group's bank and other borrowings (Note 32).

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24. PREPAYMENTS AND OTHER CURRENT ASSETS

	2015	2014
Non-current		
Prepayment (a)	5,968	6,338
Less: Provision for impairment (a)	(5,968)	–
	–	6,338
Current		
Prepaid business tax	117,876	67,448
Prepayments (b)	638,283	1,313,159
Prepaid relocation compensation to a local government authority (c)	1,862,020	1,977,437
Others	12,402	14,575
	2,630,581	3,372,619
Less: Provision for impairment	(7,460)	–
	2,623,121	3,372,619

(a) On 12 December 2013, the Company signed a letter of intent with a third party (the "Vendor") to acquire a 100% equity interest in a real estate company in Shanghai at a total consideration of RMB800 million (HK$1,018 million). In connection with this transaction, the Group paid RMB5 million (equivalent to HK$6 million) to the Vendor as earnest money. Due to the termination of the project as well as the low probability of collection of the aforementioned prepayment, full provision has been made for the earnest money as of 31 December 2015.

(b) The prepayments as at 31 December 2015 mainly included approximately HK$26 million (2014: HK$701 million) of prepayments for properties under development, HK$571 million (2014: HK$607 million) of prepayments for leasehold land and approximately HK$41 million (2014: HK$5 million) of prepayment for an investment in a project located in the United States.

(c) The balance as at 31 December 2015 represented a prepayment of RMB1,560 million (approximately HK$1,862 million) (2014: RMB1,560 million (approximately HK$1,977 million)) to a local government authority as a prepaid relocation compensation of Richgate I project in Shanghai.

25. OTHER RECEIVABLES

	2015	2014
Receivables in connection with acquisition of Konmen Investment Limited (a)	161,263	183,427
Receivable from subsidiaries disposed of	15,294	2,535
Receivable from the disposal of a subsidiary (b)	50,072	–
Deposit for a real estate project	–	12,676
Interest receivable	16,065	62,460
Others	127,536	130,692
	370,230	391,790
Less: Provision for impairment	(9,252)	(2,672)
Other receivables, net	360,978	389,118

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25. OTHER RECEIVABLES (continued)

(a) On 17 August 2007, SRE Investment Holding Limited ("SREI", or the "Vendor") and an independent third party (the "Original Shareholder") entered into an acquisition agreement (the "Vendor Acquisition Agreement"), pursuant to which the Vendor agreed to purchase, from the Original Shareholder, the entire issued share capital (the "Sale Share") of Konmen, which held a 70% interest in Liaoning Gao Xiao, at a consideration of HK$1,600 million.

On the same date, the Vendor and a subsidiary of the Company (the "Purchaser") entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which the Purchaser agreed to purchase the Sale Share from the Vendor at a consideration of HK$1,600 million. Pursuant to the Acquisition Agreement, the consideration was satisfied by the Company issuing shares to the Vendor.

On 15 November 2007, a supplemental agreement was entered into between the Vendor, the Company, the Purchaser, the Original Shareholder and Konmen.

According to the above agreements, the Original Shareholder agreed to pay for the purchase of a land use right that will be held by Liaoning Gao Xiao, to bear certain liabilities ("the Liabilities") of Liaoning Gao Xiao and to reimburse Liaoning Gao Xiao the relevant amounts incurred in respect of the Liabilities, to the extent that they have not been paid for by the Original Shareholder and/or the other shareholder who holds the remaining 30% equity interest in Liaoning Gao Xiao. If the amounts reimbursed by the Original Shareholder under such arrangements are made to the Vendor, the Vendor agreed to transfer such amounts to the Group.

Pursuant to the above agreements, the Vendor has also undertaken to pay Liaoning Gao Xiao the above mentioned amounts, to the extent they have not been paid for by the Original Shareholder and/or the other shareholder who holds the remaining 30% equity interest in Liaoning Gao Xiao. In the event that Liaoning Gao Xiao failed to obtain the relevant land use right by 30 June 2009, the Vendor would undertake to pay the Company HK$1,600 million in cash on or before 30 December 2009. On 4 December 2009, the Special General Meeting of the Company passed a resolution that the Company shall not exercise its right under the above agreements and shall delay enforcement against the Vendor to 31 December 2012. In early 2013, the Group received from the Vendor the full settlement of the Land Purchase Cost and Liaoning Gao Xiao has consequently obtained the land use rights certificates for the entire site area of the Land.

As of 31 December 2015, the amount which would have to be reimbursed from the Vendor according to the agreements above, as such amount has not been paid for by the Original Shareholder or the Original Minority Shareholder, was approximately RMB135 million (approximately HK$161 million) (2014: approximately RMB145 million (approximately HK$183 million)).

On 9 June 2015, the Company announced that the Changzhou City People's Procuratorate of the People's Republic of China has required Mr. Shi Jian to stay under custody at a designated residence. As Mr. Shi Jian is also the controlling shareholder and Chairman of the board of directors of SREI, who is responsible for the settlement of the receivable, the reimbursement of the aforementioned balance was delayed.

(b) This is consideration of RMB42 million (approximately HK$50 million) for the disposal of a subsidiary, Shanghai Lushan Real Estate Ltd. ("Lushan") (Note 41/(b)).

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26. TRADE RECEIVABLES AND NOTES RECEIVABLE

	2015	2014
Trade receivables	79,192	57,498
Less: Provision for impairment	(9,552)	(10,142)
	69,640	47,356
Notes receivable	645	–

An aged analysis of trade receivables as at the end of the reporting period, from the date when they were recognised, is as follows:

	2015	2014
Within 6 months	48,548	37,164
6 months to 1 year	3,202	1,632
1 to 2 years	19,108	1,019
Over 2 years	8,334	17,683
	79,192	57,498

The Group's sales of development properties and hotel operations are generally on a cash basis while the Group's trading terms with its customers for other operations are mainly on credit. The credit terms of the Group are generally within six months.

The Group's other trade receivables are related to a large number of diversified customers. There is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Notes receivable were all bank acceptance notes with a maturity period within six months.

An aged analysis of trade receivables neither past due nor impaired and those past due but not impaired is as follows:

	2015	2014
Neither past due nor impaired	51,632	41,343
Past due but not impaired:		
Within 30 days	540	280
30 to 60 days	–	–
60 to 90 days	–	551
Over 120 days	17,468	5,182
	69,640	47,356

Receivables that were past due but not impaired are related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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26. TRADE RECEIVABLES AND NOTES RECEIVABLE (continued)

The movements in the provision for impairment of trade receivables are as follows:

	2015	2014
At beginning of year	**10,142**	10,177
Exchange realignment	**(590)**	(35)
At end of year	**9,552**	10,142

No provision for impairment of trade receivables (2014: nil) was reversed during the year ended 31 December 2015.

27. CASH AND BANK BALANCES

	2015	2014
Cash on hand	**1,574**	2,623
Demand deposits	**1, 086,183**	569,556
Time deposits with original maturity of no more than 3 months	**620,000**	–
Cash and cash equivalents	**1,707,757**	572,179
Pledged bank deposits (a)	**1,336,297**	1,501,711
Restricted bank deposits under a development project (b)	**1,930**	2,044
Restricted bank deposits relating to bank borrowings (c)	**3,776**	33,063
Cash and bank balances	**3,049,760**	2,108,997

(a) As at 31 December 2015, bank deposits of approximately HK$1,336 million (2014: HK$1,502 million) were pledged as security for bank and other borrowings (Note 32).

(b) The balance represented deposits that are restricted from use, as a result of the guarantees provided by the Group in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties.

(c) An amount of HK$4 million (2014: HK$33 million) is restricted in connection with bank borrowings.

The carrying amounts of the cash and bank balances which are denominated in the following currencies are:

	2015	2014
Hong Kong dollars	**1,494,222**	36,755
United States dollars	**6,178**	16,032
Singapore dollars	**1**	1
Australia dollars	**–**	9,545
RMB	**1,549,359**	2,046,664
	3,049,760	2,108,997

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27. CASH AND BANK BALANCES (continued)

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Demand deposits earn interest at floating rates based on daily bank deposit rates. Notice deposits are made for varying periods of between one to seven days depending on the immediate cash requirements of the Group, and earn interest at the respective notice deposit rates. Time deposits earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents pledged and restricted deposits approximate to their fair values.

28. LOANS AND RECEIVABLES

	2015	2014
Loans and receivables	**255,908**	–

The balance as at 31 December 2015 mainly represented the loans granted to certain third parties bearing interest at the RMB benchmark interest rate plus 20% per annum and is due for repayment within one year.

29. OTHER NON-CURRENT ASSETS

	2015	2014
Other receivables	**14,323**	17,746
Others	**11,638**	16,479
	25,961	34,225
Less: Provision for impairment	**(25,961)**	–
	–	34,225

The balance of other non-current assets comprised a cash consideration of RMB12 million (approximately HK$14.32 million) and a non-cash consideration of RMB9.75 million (approximately HK$11.64 million) for the disposal of a former subsidiary in 2014. Full provision was made for such balances as at 31 December 2015 as the directors of the Group consider the receoverability of the receivables is uncertain.

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30. ISSUED SHARE CAPITAL AND SHARE PREMIUM

Shares

	2015	2014
Issued and fully paid:		
20,564,713 (2014: 5,664,713) ordinary shares	**7,488,108**	6,000,738

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

	Number of shares (thousands)	**Amount**		
		Issued capital	**Share premium**	**Total**
At 1 January 2014, 31 December 2014 and 1 January 2015	**5,664,713**	**566,471**	**5,434,267**	**6,000,738**
Subscription of new shares (Note (a))	**14,900,000**	**1,490,000**	**–**	**1,490,000**
Share issue expenses (Note (a))	**–**	**–**	**(2,630)**	**(2,630)**
At 31 December 2015	**20,564,713**	**2,056,471**	**5,431,637**	**7,488,108**

Note:

(a) A total of 14.9 billion Subscription Shares were allotted and issued on 4 December 2015 at the Subscription Price of HK$0.10 per Subscription Share, with cash proceeds, before expenses, of HK$1.49 billion.

31. RESERVES

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

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's entities which are established in Mainland China has been transferred to reserve funds which are restricted as to use.

Companies within the Group, most of which are registered in the PRC as foreign invested entities, are required to make appropriations from statutory net profits to the reserve fund and the enterprise expansion fund, upon distribution of their post-tax profits of the current year. The percentages to be appropriated to the reserve fund and the enterprise expansion fund are determined by the boards of directors of these companies.

Companies within the Group, which are registered in the PRC as domestic invested entities, are required to appropriate 10% of statutory net profits to the statutory surplus reserve, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profit, a company may make further contribution to the surplus reserve using its post-tax profit in accordance with a resolution of the board of directors.

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32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015	2014
Short-term bank borrowings		
– Secured	275,651	602,472
Other short-term borrowings		
– Secured	2,279,780	938,040
– Unsecured	64,332	330,295
Current portion of long-term bank borrowings		
– Secured	2,547,984	2,339,345
Current portion of other long-term borrowings		
– Secured	3,254,446	3,019,017
Borrowings, current portion	8,422,193	7,229,169
Long-term bank borrowings		
– Secured	2,287,834	10,295,570
Other long-term borrowings		
– Secured	–	1,876,030
– Unsecured	208,717	193,403
Borrowings, non-current portion	2,496,551	12,365,003

	2015	2014
The long-term borrowings are repayable as follows:		
– Within 1 year	5,802,430	5,358,362
– 1 to 2 years	374,449	3,220,608
– 2 to 3 years	193,825	2,360,110
– 3 to 5 years	1,106,199	5,794,768
– After 5 years	822,078	989,517
	8,298,981	17,723,365
Less: Long-term borrowings, current portion	(5,802,430)	(5,358,362)
Long-term borrowings, non-current portion	2,496,551	12,365,003

Short-term bank borrowings – secured

As at 31 December 2015, short-term bank borrowings of approximately HK$276 million (2014: approximately HK$602 million) was secured by the pledge of bank deposits, leasehold land and properties held or under development for sale. Among the above short-term bank borrowings, bank loans with a total principal of HK$21 million were guaranteed by Mr. Shi Jian, the former Chairman of the Company, and Md. Si Xiao Dong, the spouse of Mr. Shi Jian.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Other short-term borrowings – secured

As at 31 December 2015, other short-term borrowings of approximately HK$1,325 million (2014: nil) from parent company and approximately HK$955 million from a trust (2014: HK$938 million) were secured by the pledges of the Group's leasehold land and equity interests of subsidiaries. The Group has the right to repay the trust loans (the outstanding balances of principal and interest thereon) in full, at any time or during specified periods prior to expiry of the terms of the loans.

Long-term bank borrowings – secured

As at 31 December 2015, long-term bank borrowings of approximately HK$4,836 million (2014: approximately HK$12,635 million) were secured by the pledges of the Group's leasehold land, together with bank deposits, property, plant and equipment, investment properties, properties held or under development for sale, equity interests of subsidiaries, trade receivables and operating revenue generated by Skyway. Among the above long-term bank borrowings, a bank loan with a principal of HK$160 million (2014: HK$220 million) was secured by the pledge of a private property held by Mr. Shi Jian and Md. Si Xiao Dong.

Other long-term borrowings – secured

As at 31 December 2015, long-term borrowings of approximately HK$3,254 million (2014: approximately HK$4,895 million) were from third party trust funds which are secured by the pledges of the Group's leasehold land, bank deposits, properties held or under development for sale, investment properties and equity interests in certain subsidiaries of the Group and entitlement to certain economic benefits (including right to dividends, if any, etc.) in such equity interests. The Group has the right to repay the loans (the outstanding balances of principal and interest thereon) in full, at any time or during specified periods prior to expiry of the terms of the loans. Among the above other long-term borrowings, a term loan with a principal of HK$1,690 million (2014: approximately HK$1,838 million) was guaranteed by SREI and Mr. Shi Jian, and another term loan with a principal of HK$537 million (2014: approximately HK$634 million) was guaranteed by Mr. Shi Jian.

Overall collateral arrangements for bank and other borrowings

As at 31 December 2015, bank deposits of approximately HK$1,336 million (2014: approximately HK$1,502 million) (Note 27), leasehold land of approximately HK$2,475 million (2014: approximately HK$7,711 million) (Note 19), investment properties of approximately HK$5,700 million (2014: approximately HK$6,488 million) (Note 18), properties held or under development for sale of approximately HK$2,186 million (2014: approximately HK$6,822 million), property, plant and equipment of approximately HK$434 million (2014: approximately HK$1,668 million) (Note 17), equity interests in certain subsidiaries with total costs of approximately HK$2,141 million (2014: approximately HK$3,181 million), trade receivables of approximately HK$7 million (2014: approximately HK$8 million), assets classified as held for sale of approximately HK$10,351 million (2014: nil) and operating revenue generated by Skyway (2014: operating revenue generated by Skyway) were pledged as collateral for the Group's borrowings and banking facilities.

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32. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The weighted average effective interest rates for these borrowings at the end of the reporting period were as follows:

	2015			2014		
	HK$	**US$**	**RMB**	HK$	US$	RMB
Short-term bank borrowings	**–**	**–**	**6.28%**	–	–	6.60%
Other short-term borrowings	**–**	**–**	**11.77%**	–	–	10.76%
Long-term bank borrowings	**2.19%**	**1.58%**	**6.39%**	2.81%	1.37%	7.12%
Other long-term borrowings	**7.85%**	**–**	**12.35%**	8.16%	–	12.17%

As bank loans are all borrowed at prevailing market interest rates, which would be adjusted from time to time in line with interest rate changes in the market, the carrying amounts of the bank loans approximate to their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

	2015	2014
Hong Kong dollars	**988,798**	1,033,472
United States dollars	**573,557**	573,971
RMB	**9,356,389**	17,986,729
	10,918,744	19,594,172

The Group had the following undrawn credit facilities as at the end of the reporting period:

	2015	2014
Floating rate loan facilities		
– expiring within one year	**135,032**	31,690
– expiring beyond one year	**–**	616,290
	135,032	647,980

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33. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes, if any, levied by the same tax authority on the same taxable entity.

The gross movements in the deferred tax account are as follows:

	2015	2014
At beginning of year	**1,760,520**	1,433,499
Reclassified to current tax liability upon the final assessment of LAT	**(34,341)**	–
Reclassified to held for sale	**(40,086)**	–
Disposal of subsidiaries (Note 41)	**(8,528)**	–
Recognised in profit or loss (Note 12)	**(247,277)**	330,461
Exchange realignment	**(92,918)**	(3,440)
At end of year	**1,337,370**	1,760,520

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

Deferred tax assets

	Tax losses carried forward	**Difference in accounting and tax bases arising from share transfer consideration**	**Other temporary differences**	**Total**
At 1 January 2014	155,613	300,968	53,743	510,324
Recognised in profit or loss	(130,923)	–	17,182	(113,741)
Exchange realignment	(1,113)	(184)	(954)	(2,251)
At 31 December 2014	23,577	300,784	69,971	394,332
Recognised in profit or loss	60,470	–	(68,572)	(8,102)
Reclassified to held for sale (Note 40)	(53,248)	–	–	(53,248)
Exchange realignment	(3,743)	(17,556)	(1,399)	(22,698)
At 31 December 2015	**27,056**	**283,228**	**–**	**310,284**

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33. DEFERRED TAX (continued)

The movements in deferred tax assets and liabilities during the year are as follows: (continued)

Deferred tax liabilities

	Fair value gains	Excess of fair value over book value in the subsidiaries as a result of business combination	Withholding taxes	Others	Total
At 1 January 2014	724,548	603,087	402,532	213,656	1,943,823
Recognised in profit or loss	249,149	(11,530)	(8,093)	(12,806)	216,720
Exchange realignment	(1,382)	(2,108)	(1,413)	(788)	(5,691)
At 31 December 2014	972,315	589,449	393,026	200,062	2,154,852
Recognised in profit or loss	(26,488)	(217,944)	(31,234)	20,287	(255,379)
Reclassified to current tax liability upon the final assessment of LAT	–	–	–	(34,341)	(34,341)
Reclassified to held for sale (Note 40)	(6,272)	(10,220)	(23,798)	(53,044)	(93,334)
Disposal of subsidiaries (Note 41)	–	(8,528)	–	–	(8,528)
Exchange realignment	(55,830)	(25,596)	(21,717)	(12,473)	(115,616)
At 31 December 2015	**883,725**	**327,161**	**316,277**	**120,491**	**1,647,654**

As at 31 December 2015, the deferred tax asset arising from unused tax losses amounted to approximately HK$27 million (2014: HK$24 million). With respect to the recognition of the deferred tax assets, after considering the evidence including the approval from local authorities permitting the sale of the properties, and estimated future taxable profit by reference to recent selling prices of certain properties and current market condition, the Group believes that sufficient taxable profit will be available against which the unused tax losses can be utilised in the foreseeable future.

Deferred tax assets have not been recognised in respect of the following items:

	2015	2014
Tax losses	**2,135,273**	1,309,413

The above tax losses arising in Mainland China for offsetting against future taxable profit will expire in one to five years. Deferred tax assets have not been recognised in respect of the tax losses mentioned above as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which these temporary differences can be utilised.

Pursuant to the resolution of the board of directors of the Company, part of PRC subsidiaries' profits generated from 2011 onwards will be retained by PRC subsidiaries for use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed will not be reversed in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$860 million (2014: approximately HK$940 million).

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

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34. ADVANCES RECEIVED FROM THE PRE-SALE OF PROPERTIES UNDER DEVELOPMENT

	2015	2014
Advances received from the pre-sale of properties under development	**2,361,360**	1,542,255

The Group conducts the pre-sale of properties when they are still under development. As contracted with customers, advances amounting to a substantial portion of sales consideration are paid to the Group shortly from the signing of the pre-sales contract. Such amounts held by the Group are non-interest-bearing. Business tax, generally calculated at a rate of 5% on the advances received, is imposed by the tax authorities.

35. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, from the date when they were incurred, is as follows:

	2015	2014
Within 1 year	**243,293**	1,426,815
1 to 2 years	**177,324**	371,478
Over 2 years	**393,851**	337,344
	814,468	2,135,637

Trade payables represent payables arising from property construction and land development. The trade payables are non-interest-bearing and are normally settled within one year.

36. OTHER PAYABLES AND ACCRUALS

	2015	2014
Deposits received from and other payable to customers and construction companies	**140,582**	50,676
Business tax and surtaxes payable	**51,263**	44,464
Interest payable to a former non-controlling shareholder of a subsidiary	–	1,193
Dividends payable to non-controlling shareholders of subsidiaries	**38,531**	42,270
Relocation costs payable	**315,889**	335,469
Deposits from stores, rents received for developers and public utility fees collected and paid for tenants	**65,413**	56,779
Payroll and welfare payable	**9,655**	9,324
Accrued interest	**65,391**	46,649
Payables to former shareholders of a subsidiary for business combination	**12,175**	12,929
Payables to former shareholders of subsidiaries for acquisition of non-controlling interests	**20,291**	21,803
Payable to the former non-controlling shareholder of a subsidiary disposed of	**23,872**	25,352
Advance received in relation to disposal of subsidiaries	**124,087**	–
Others	**89,282**	74,621
	956,431	721,529

Other payables are non-interest-bearing and are normally settled within 12 months.

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37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of (loss)/profit before tax to cash used in operations:

	2015	2014
(Loss)/profit before tax	**(2,698,202)**	567,875
Adjustments for:		
Depreciation of items of property, plant and equipment	**47,818**	50,468
Amortisation of intangible assets	**–**	266
Loss/(gain) on disposal of items of property, plant and equipment, net	**41,861**	(43,079)
Share of profits of associates	**(991)**	(1,431)
Fair value loss/(gain) on investment properties	**71,315**	(993,326)
Write-down of properties held or under development for sale	**670,017**	84,367
Write-down of prepaid land lease payments	**711,461**	9,296
Provision for other receivables	**7,010**	–
Provision for prepayments and other current assets	**13,975**	–
Provision for other non-current assets	**27,019**	–
Impairment of goodwill	**321,308**	79,398
Gain on disposal of subsidiaries	**(235,644)**	(1,662)
Other reserve of an associate recognised in profit or loss	**(40)**	–
Finance income	**(38,189)**	(99,204)
Finance costs	**480,210**	456,753
	(581,072)	109,721
Decrease in restricted bank deposits	**29,401**	7,136
Decrease/(increase) in prepaid land lease payments	**763,883**	(969,993)
Increase in properties held or under development for sale	**(1,054,420)**	(880,418)
Increase in inventories	**(720)**	(19,625)
Increase in prepayments and other current assets	**(219,498)**	(2,218,161)
(Increase)/decrease in other receivables	**(252,741)**	46,245
Increase in trade receivables	**(26,740)**	(10,890)
(Decrease)/increase in trade payables	**(666,173)**	250,059
Increase in other payables and accruals	**1,688,825**	331,781
Increase in advances received from the pre-sale of properties under development	**4,764,234**	367,741
Cash flows from/(used in) operations	**4,444,979**	(2,986,404)

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38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms mainly ranging from 1 to 15 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	2015	2014
Within one year	**86,428**	107,024
In the second to fifth years, inclusive	**256,588**	317,412
After five years	**73,823**	434,962
	416,839	859,398

The rental income that is contingent upon business of lessee that was recognised in 2015 amounted to HK$6,660 thousand (2014: HK$9,330 thousand).

(b) As lessee

The Group leases certain of its office properties and housing properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from one to five years.

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

	2015	2014
Within one year	**13,477**	4,161
In the second to fifth years, inclusive	**25,594**	2,089
	39,071	6,250

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39. COMMITMENTS AND CONTINGENCIES

(a) The Group had the following capital commitments and commitments in respect of property development for sale at the end of the reporting period:

	2015	2014
Contracted, but not provided for		
Properties held or under development for sale	**371,692**	3,753,672
Property, plant and equipment and leasehold land	**27,697**	27,697
	399,389	3,781,369

(b) The Group provides guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates when the relevant mortgage loans are granted and end when the purchasers pledge related property certificates as security to the banks offering the mortgage loans. The Group entered into guarantee contracts of principal amounts totalling approximately RMB185 million (equivalent to HK$234 million) (2014: RMB111 million (equivalent to HK$140 million)) and these contracts were still effective as at the close of business on 31 December 2015.

The Group did not incur any material losses during the financial year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The Directors consider that the probability of default of purchasers is remote and even in case of default on payments, the net realisable value of the related properties is expected to be sufficient to cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, because the principal of each of the mortgage loans was normally below 70% of the sales price of the properties at the date of the sales agreement, and therefore no provision has been made in connection with the guarantees.

39. COMMITMENTS AND CONTINGENCIES (continued)

(c) With reference to the Company's announcement dated 24 September 2015 (the "Announcement"), certain Financing Transactions were executed by Mr. Shi Jian (the former Chairman of the Group), purportedly acting for and on behalf of certain members of the Group, with third party financial institutions without the knowledge of the other Directors of the Company at the relevant time.

The Financing Transactions executed by Mr. Shi Jian were essentially guarantees for bank loans dated between 25 May 2011 and 19 December 2014, granted to certain connected persons (including Black Eagle (Shanghai) Investment Management Limited ("Black Eagle"), which became a wholly-owned subsidiary of SREI from 11 September 2015 and five subsidiaries of CNTD. The total outstanding balance of the loans secured by the Financing Transactions amounted to RMB2.383 billion (HK$2.907 billion) as of 31 August 2015.

On 10 October 2013, CNTD, China Development Bank International Holdings Limited ("CDBIH") and SREI entered into a share subscription agreement pursuant to which CDBIH agreed to subscribe for 5,347,921,071 new shares of CNTD subject to the terms and conditions contained therein (the "Subscription"). The Subscription was completed in the first quarter of 2014. As a result, CDBIH and SREI became the largest and second largest shareholder of CNTD respectively. As an appendix to the Subscription Agreement, there was a disposal master agreement between CNTD and SREI to dispose of specified assets and liabilities, not relating to CNTD's main principal business of planning and development of new town projects in Mainland China (the "Disposal Assets") to SREI or Black Eagle, which was designated by SREI to acquire the Disposal Assets.

Various bank loans of the CNTD's subsidiaries which form part of the Disposal Assets would have to be assumed by SREI or Black Eagle, which also require financing to acquire the Disposal Assets. As a result, the Financing Transactions were entered into with third party banks to provide them with further comfort to facilitate the transfer of the Disposed Assets. The Financing Transactions constituted financial assistance to related parties and also contingent liabilities of the Group, which but had not been properly disclosed in the audited financial statements of the Group for periods prior to the year ended 31 December 2014.

Up to the date of this report, the Group had not been asked to honour these Financing Transactions and no consequential losses had yet resulted. As at 31 December 2015, the total outstanding balance of the loans secured by the Financing Transactions amounted to RMB2.347 billion (approximately HK$2.802 billion) (31 December 2014: RMB2.601 billion (approximately HK$3.298 billion)). On 4 December 2015, upon completion of the subscription of shares (Note 30), China Minsheng Jiaye agreed to provide back-to-back indemnity in favour of the Company to indemnify and hold harmless the Company from and against any losses and costs that might be incurred as a result of the Financing Transaction as described above (the "CMJI Indemnity"). To further mitigate the potential loss arising from the Financing Transactions, on 3 November 2015, each of SREI and Madam Si Xiao Dong (spouse of Mr. Shi Jian) has entered into an irrevocable and unconditional undertaking in favour of the Company (on its own and its subsidiaries' behalf) to indemnify and hold harmless the Group for any losses arising from its payment obligations arising from the Financing Transactions (the "Indemnity").

The directors of Company are of the view that the Indemnities will, together with the CMJI Indemnity, be able to relieve the Group of the undesirable risk exposure, contingent liabilities and uncertainties caused by the Financing Transactions.

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40. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

(a) On 26 November 2015, the Company announced the disposal of a 60% equity interest in Mayson Resources Limited ("Mayson") to a third party purchaser (a subsidiary of China Vanke Co., Ltd. ("Vanke" or "Purchaser")) together with the settlement of 60% of the loan amount provided by companies within the Group to Mayson from funds provided by the third party Purchaser (collectively the "Disposal of Mayson"). The agreed consideration was RMB547,872,000 (approximately HK$668,403,840). Upon completion of the Disposal of Mayson, the Group's attributable share in Shuo Cheng will be reduced to 40% as it was a wholly-owned subsidiary of Mayson. As at 31 December 2015, the disposal transaction was still in progress and the transaction was only completed in January 2016. Consequently, all assets and liabilities of Shuo Cheng were classified as held for sale and presented under the property development segment.

The major classes of assets and liabilities of Shuo Cheng classified as held for sale as at 31 December 2015 are as follows:

Assets	
Cash and bank balances	**658,580**
Other receivables	**5,380**
Properties held or under development for sale	**4,531,517**
Prepaid income tax	**294,852**
Prepaid land lease payments – Current	**3,845,161**
Property, plant and equipment	**1,505**
Deferred tax assets (Note 33)	**53,248**
Investment properties (Note 18)	**431,480**
Assets classified as held for sale	**9,821,723**
Liabilities	
Trade payables	**(140,292)**
Other payables and accruals	**(28,011)**
Current income tax liabilities	**(201,815)**
Advances received from the pre-sale of properties under development	**(3,665,042)**
Interest-bearing bank and other borrowings – Non-current	**(3,580,807)**
Deferred tax liabilities (Note 33)	**(93,334)**
Liabilities directly associated with the assets classified as held for sale	**(7,709,301)**
Net assets directly associated with the disposal *	**2,112,422**

* Net assets classified as held for sale excluded an inter-company payable of HK$1,001,934 thousand which has been fully eliminated upon consolidation.

At at 31 December 2015, 100% equity interest in Shuo Cheng was pledged to Shanghai Vanke Real Estate Co., Ltd. ("Shanghai Vanke"), a subsidiary of China Vanke Co., Ltd., for a loan provided by Shanghai Vanke which was repaid in full before the end of 2015, whilst the pledge was not released at the same time. Incidentally, interest-bearing bank borrowings of HK$3.58 billion of Shuo Cheng were guaranteed by the Company as of 31 December 2015. Upon the completion of the disposal of the 60% equity interest in Shuo Cheng to Vanke in January 2016, the guarantees which remained in place and had not been released at the date of this report would constitute guarantees for an associated company's borrowings and contingent liabilities of the Group. In addition, as of 31 December 2015, Shuo Cheng had provided guarantees for companies within the Group and at the request of Vanke, 51% of equity interest in Bairun was pledged to Shuo Cheng as indemnity, which had not been released at the date of this report.

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40. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE (continued)

(b) On 9 February 2015, Oasis Garden entered into a Sale and Purchase Agreement (the "Agreement") with a third party purchaser in relation to the disposal of the 80% equity shares held by Oasis Garden in Haikou Century together with the settlement of the loan amount provided by companies within the Group to Haikou Century (the "inter-company receivables") from funds provided by the third party purchaser (the "Disposal of Haikou Century"). The agreed consideration was RMB176,000,000 (approximately HK$210,074,003) with RMB244,959,000 (approximately HK$292,383,000) for the settlement of the inter-company receivables. According to the Agreement, the equity shares will not be transferred, and consequently the disposal transaction might be cancelled, unless all the sale conditions have been fulfilled. As at 31 December 2015, the disposal transaction was still in progress and the transaction was only completed in January 2016. Consequently, the related assets and liabilities of Haikou Century were classified as held for sale and presented under the property development segment.

The major classes of assets and liabilities of Haikou Century classified as held for sale as at 31 December 2015 are as follows:

Assets	
Cash and bank balances	**776**
Other receivables	**11,123**
Properties held or under development for sale	**95,766**
Advances to subsidiaries	**4,109**
Prepaid income tax	**47,112**
Prepaid land lease payments – Current	**354,082**
Property, plant and equipment	**1,085,955**
Prepaid land lease payments – Non-current	**73,330**
Assets classified as held for sale	**1,672,253**
Liabilities	
Trade payables	**(402,777)**
Other payables and accruals	**(207,787)**
Current income tax liabilities	**(15,140)**
Advances received from the pre-sale of properties under development	**(3,550)**
Interest-bearing bank and other borrowings – Current	**(57,267)**
Interest-bearing bank and other borrowings – Non-current	**(434,471)**
Liabilities directly associated with the assets classified as held for sale	**(1,120,992)**
Net assets directly associated with the disposal group *	**551,261**

* Net assets classified as held for sale excluded an inter-company payable of HK$292,383 thousand which has been fully eliminated upon consolidation.

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41. DISPOSAL OF SUBSIDIARIES

(a) On 21 September 2015, Xiangdao disposed of its entire 100% equity interest in Shanghai Xiang Zhi Investment Ltd. ("Xiang Zhi"). As a result of the disposal, the 100% equity interest in Shanghai Dinan Real Estate Development Ltd. was also disposed of as it is a wholly-owned subsidiary of Xiang Zhi.

	21 September 2015
Net assets disposed of:	
Cash and bank balances	5
Deferred assets	224
Properties held or under development for sale	221,080
Prepaid land lease payments-Current	929,059
Other payables and accruals	(1,054,041)
Non-controlling interests	317
	96,644
Gain on disposal of a subsidiary (Note 6)	188,166
Satisfied by cash	284,810

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2015
Cash	284,810
Cash and bank balances disposed of	(5)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	284,805

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41. DISPOSAL OF SUBSIDIARIES (continued)

(b) On 22 September 2015, Zhufu disposed of its entire 55% equity interest in Lushan.

	22 September 2015
Net assets disposed of:	
Property, plant and equipment	19
Other receivables	13,431
Cash and bank balances	2,966
Prepayments	590,988
Properties held or under development for sale	214,604
Prepaid land lease payments – Current	286,516
Trade payables	(462)
Other payables and accruals	(212,896)
Tax payable	(1,304)
Interest-bearing bank and other borrowings	(844,442)
Deferred tax liabilities (Note 33)	(8,528)
Non-controlling interests	(37,348)
	3,544
Gain on disposal of a subsidiary (Note 6)	47,478
Exchange realignment	(950)
Consideration	50,072

The consideration will be settled in cash within six months (Note 25).

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2015
Cash	–
Cash and bank balances disposed of	(2,966)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(2,966)

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42. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties.

Significant related party transactions during the year:

i) Sales to and purchases from associates and the relevant balances

	2015	2014
Trade receivables from Broadband	**294**	313
Trade payables to New Technology	**133**	141

ii) Receivable due from a related party

	2015	2014
Receivable from CNTD Group for property management service	**597**	634

iii) Loan guarantee/security to the Group

A term loan of HK$160 million (entered into in 2012) is secured by a property in Hong Kong jointly owned by Mr. Shi Jian and Md. Si Xiao Dong (2014: HK$220 million).

A term loan of HK$2,248 million is guaranteed by SREI, Mr. Shi Jian and Md. Si Xiao Dong as of 31 December 2015 (2014: HK$3,204 million).

iv) Compensation to key management personnel of the Group

	2015	2014
Salaries and other short-term employee benefits*	**18,136**	23,085

* Salaries and other short-term employee benefits in 2015 include compensation to Chief Financial Officer amounting to HK$992 thousand.

v) Loan from parent company

	2015	2014
Loan from parent company	**1,324,930**	–

Term loans of RMB1.11 billion (approximately HK$1,325 million) were provided by the parent company, China Minsheng Jiaye in 2015, which comprised the following two borrowings:

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42. RELATED PARTY TRANSACTIONS (continued)

v) Loan from parent company (continued)

a) RMB560 million (approximately HK$668 million), secured by the pledges of the Company's equity interests of subsidiaries and guaranteed by Mr. Shi Janson Bing with original tenure of three months was provided in September 2015 and was renewed on 16 December 2015. The term of the renewed borrowing is twelve months, with an annual interest rate adjusted from the original 12% to 8% per annum.

b) RMB550 million (approximately HK$657 million) with original tenure of three months was provided in December 2015. The interest rate was 8% per annum.

43. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets	**2015**	2014
Available-for-sale investments	**13,726**	12,676
Loans and receivables		
– Loans and receivables	**255,908**	–
– Other receivables	**360,978**	406,864
– Trade receivables	**69,640**	47,356
– Notes receivable	**645**	–
– Cash and bank balances	**3,049,760**	2,108,997
	3,750,657	2,575,893
Financial liabilities		
Financial liabilities at amortised cost		
– Interest-bearing bank and other borrowings	**10,918,744**	19,594,172
– Trade payables	**814,468**	2,135,637
– Others	**829,787**	666,627
	12,562,999	22,396,436

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market or when current market prices are not available, fair value is determined using valuation techniques (Note 2.4).

The Group's financial assets mainly include cash and bank balances and receivables.

The Group's financial liabilities mainly include interest-bearing bank and other borrowings and payables.

The fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and appropriate valuation models.

Fair value hierarchy

Assets and liabilities measured at fair value:

The Group did not have any financial asset or financial liability measured at fair value as at 31 December 2015 and 2014.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, and cash and bank deposits. The main purpose of these financial instruments is to raise funds to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group does not enter into derivative transactions for trading purposes. The Group's accounting policies in relation to derivatives are set out in Note 2.4 to the financial statements.

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

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayment of the borrowings are disclosed in Note 30.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates of the major currencies in which the Group's borrowings are denominated, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). The Group's equity is not affected, except for the consequential effect on retained profits (a component of the Group's equity) by the changes in profit before tax.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

	2015 Impact on profit before tax	2014 Impact on profit before tax
Changes in variables – RMB interest rate		
+ 50 basis points	**(46,787)**	(89,934)
- 50 basis points	**46,787**	89,934
Changes in variables – HK$ interest rate		
+ 50 basis points	**(4,944)**	(5,167)
- 50 basis points	**4,944**	5,167
Changes in variables – US$ interest rate		
+ 50 basis points	**(2,868)**	(2,870)
- 50 basis points	**2,868**	2,870

Foreign currency risk

Most of the Group's operating entities operate in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk with only limited exposure arising primarily with respect to cash at banks and bank borrowings, which are mainly denominated in United States dollars ("US$") and Hong Kong dollars ("HK$").

Renminbi is not a freely convertible currency. The conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and the HK$ exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Group's equity is not affected, except for the consequential effect on retained profits (a component of the Group's equity) by the impact on profit before tax as disclosed below.

	2015 Impact on profit before tax	2014 Impact on profit before tax
Changes in exchange rate of US$ against Renminbi		
+ 5%	**(28,369)**	(27,897)
- 5%	**28,369**	27,897
Changes in exchange rate of HK$ against Renminbi		
+ 5%	**25,272**	(49,836)
- 5%	**(25,272)**	49,836

31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk mainly arises from cash at banks, trade receivables and other receivables. The guarantees as disclosed in Note 39 might also result in credit risk to the Group. For the sale of developed properties to retail customers, consideration would be settled in cash or customers' purchase would be financed by mortgage loans provided by banks. Receivable balances are monitored on an on-going basis other than the significant receivables in Note 25. There is no other significant concentration of credit risk within the Group as other debtors of the Group's receivables are widely dispersed and the majority of the Group's financial assets are cash at banks as at 31 December 2015.

The table below shows the maximum exposure to credit risk for the assets subject to credit risk at the end of the reporting period. The maximum exposure is shown gross, before the effect of mitigation through any collateral held or other credit enhancement.

	2015	2014
Financial assets		
Available-for-sale investments	13,726	12,676
Loans and receivables		
– Loans and receivables	255,908	–
– Other receivables	360,978	406,864
– Trade receivables	69,640	47,356
– Notes receivable	645	–
Cash at banks	3,048,186	2,106,374
	3,749,083	2,573,270

Liquidity risk

The Group maintains sufficient liquidity at all times with a financial planning system which is used to monitor the Group's future state of liquidity as estimated from the results of the Group's strategic and planning process. A 12-month forecast of fund requirements is updated monthly for the latest development.

Other than properties developed for sale, the Group also develops and holds properties for the long-term, such as hotel properties and investment properties. Such long-term assets have constituted an increasing proportion of total assets in recent years, which bring liquidity risk to the Group. In order to mitigate the liquidity risk, the Group adjusted its financing strategy to get more long-term borrowings and increase equity through the issuance of convertible bonds as well as new shares.

The Group has developed strategic relationship with certain major state-owned banks that will normally provide financing to the Group when approval from the relevant government authorities for the commencement of a project is obtained. The Group also seeks financing from overseas markets through close cooperation with several world-wide banks.

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

	2015					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings	–	1,572,438	9,702,745	2,975,955	856,329	15,107,467
Trade payables	163,681	11,376	277,264	362,147	–	814,468
Others	176,914	20,415	192,608	413,144	26,706	829,787
	340,595	1,604,229	10,172,617	3,751,246	883,035	16,751,722

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31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	2014					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings	34,820	535,369	8,154,578	13,749,965	1,073,688	23,548,420
Trade payables	248,357	8,666	1,492,514	386,100	–	2,135,637
Others	30,002	23,411	133,922	454,002	25,290	666,627
	313,179	567,446	9,781,014	14,590,067	1,098,978	26,350,684

Management has assessed that the fair values of trade payables and others approximate to their carrying amounts largely due to the short term maturities of these instruments.

Capital management

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

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

As the Group is mainly engaged in the development of properties, it needs a substantial amount of funds. The Group monitors capital using a gearing ratio, as defined by management for capital management purposes, which is net debt divided by capital plus net debt.

Net debt includes interest-bearing bank and other borrowings, less cash and bank balances, and excludes assets classified as held for sale and liabilities directly associated with the assets classified as held for sale. Capital includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios are calculated as follows:

	2015	2014
Interest-bearing bank and other borrowings (Note 32)	**10,918,744**	19,594,172
Less: Cash and bank balances (Note 27)	**(3,049,760)**	(2,108,997)
Net debt	**7,868,984**	17,485,175
Equity attributable to owners of the parent	**7,642,500**	9,036,731
Non-controlling interests	**397,161**	566,804
Capital	**8,039,661**	9,603,535
Capital and net debt	**15,908,645**	27,088,710
Gearing ratio	**49%**	65%

31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2015	2014
ASSETS		
Non-current assets		
Property, plant and equipment	414	445
Investments in subsidiaries	3,331,826	5,110,023
Advances to subsidiaries	1,136,440	1,305,438
	4,468,680	6,415,906
Current assets		
Dividends receivable from subsidiaries	2,329,516	2,473,852
Prepayments and other current assets	43,464	7,487
Cash and bank balances	1,496,663	58,486
	3,869,643	2,539,825
Total assets	8,338,323	8,955,731
EQUITY AND LIABILITIES		
Equity		
Issued share capital and share premium	7,488,108	6,000,738
Reserves	(720,544)	1,346,091
Total equity	6,767,564	7,346,829
LIABILITIES		
Non-current liabilities		
Interest-bearing bank and other borrowings	208,721	373,395
Current liabilities		
Interest-bearing bank and other borrowings	1,353,671	1,234,048
Other payables and accruals	8,367	1,459
	1,362,038	1,235,507
Total liabilities	1,570,759	1,608,902
Total equity and liabilities	8,338,323	8,955,731
Net current assets	2,507,605	1,304,318
Total assets less current liabilities	6,976,285	7,720,224

He Binwu	**Wang Zi Xiong**
Chairman	Vice-Chairman

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31 December 2015 (Amounts expressed in Hong Kong dollars and rounded to nearest thousand unless otherwise stated)

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

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

	Exchange fluctuation reserve	Equity component of convertible bonds	Accumulated losses	Others	Total
Balance at 1 January 2015	**1,228,280**	**–**	**(64,874)**	**182,685**	**1,346,091**
Total comprehensive income for the year	**(452,425)**	**–**	**(1,614,210)**	**–**	**(2,066,635)**
Balance at 31 December 2015	**775,855**	**–**	**(1,679,084)**	**182,685**	**(720,544)**

	Exchange fluctuation reserve	Equity component of convertible bonds	Retained profits/ (accumulated losses)	Others	Total
Balance at 1 January 2014	1,254,059	2,810	4,900	179,875	1,441,644
Total comprehensive income for the year	(25,779)	–	(69,774)	–	(95,553)
Transfer upon the redemption of Convertible Bond 4 (CB4)	–	(2,810)	–	2,810	–
Balance at 31 December 2014	1,228,280	–	(64,874)	182,685	1,346,091

47. EVENTS AFTER THE REPORTING PERIOD

On 18 March 2016, All Pride Investments Limited ("All pride") incorporated in Hong Kong, an indirect subsidiary of the Company, entered into a sale and purchase agreement with Great Wall Guofu Real Estate Co., Ltd. ("Great Wall"), to dispose of its entire 56% equity interest in Skyway for a consideration of RMB643,104,000 (approximately HK$767,601,000). Great Wall is an existing shareholder of Skyway and held 35% equity interest in Skyway prior to the aforementioned transaction. This transaction has not been completed at the date of this report.

As at 31 December 2015, the properties held by Skyway comprised Shanghai Skyway Pullman Hotel, which was presented under the segment of hotel operations, and SRE Financial Centre which were presented under the segments of property leasing and property development.

48. COMPARATIVE FIGURES

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

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2016.