CHINA FORTUNE INVESTMENTS
中國幸福投資

Annual Report 2015

CFI

中國幸福投資(控股)有限公司
China Fortune Investments (Holding) Limited

CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
(Incorporated in the Cayman Islands with Limited Liability)
(Stock code: 8116)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

The GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on the GEM.

Hong Kong Exchange and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of China Fortune Investments (Holding) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

CORPORATE PROFILE

DIRECTORS

Executive Directors

Mr. Cheng Chun Tak *(Co-chairman)*
Mr. Wan Zihong *(Co-chairman, Chief Executive Officer)*
Mr. Stephen William Frostick
Mr. Zhang Jie
Mr. He Ling
Mr. Chang Chun
Mr. Xue Huixuan

Non-executive Director

Mr. Huang Shenglan

Independent Non-executive Directors

Mr. Lee Chi Hwa, Joshua
Mr. Xu Jingan (Appointed on 27 October 2015)
Mr. Chang Jun
Ms. Ching Wai Han
Mr. Tso Hon Sai, Bosco (Resigned on 31 July 2015)

AUTHORISED REPRESENTATIVES

Mr. Stephen William Frostick
Mr. Chow Kin Wing *CPA, ACS, ACIS*

AUDIT COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Xu Jingan (Appointed on 27 October 2015)
Mr. Chang Jun
Mr. Tso Hon Sai, Bosco (Resigned on 31 July 2015)

NOMINATION COMMITTEE MEMBERS

Mr. Chang Jun *(Chairman)*
Mr. Xu Jingan (Appointed on 27 October 2015)
Mr. Lee Chi Hwa, Joshua
Mr. Tso Hon Sai, Bosco (Resigned on 31 July 2015)

REMUNERATION COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Chang Jun
Mr. Xu Jingan (Appointed on 27 October 2015)
Mr. Tso Hon Sai, Bosco (Resigned on 31 July 2015)

COMPLIANCE OFFICER

Mr. Stephen William Frostick

COMPANY SECRETARY

Mr. Chow Kin Wing *CPA, ACS, ACIS*

AUDITORS

HLM CPA Limited
Room 305, 3/F, Arion Commercial Centre,
2-12 Queen's Road West,
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited

LEGAL ADVISORS

On Hong Kong Law:

Tang Tso & Lau Solicitors

On Cayman Islands Law:

Conyers Dill & Pearman, Cayman

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681, George Town
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Room 2204, 22/F,
MassMutual Tower
38 Gloucester Road
Wan Chai, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Cayman Islands

Royal Bank of Canada
Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town
Grand Cayman KY1-1110,
Cayman Islands

Hong Kong

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

STOCK CODE

8116

WEBSITE OF THE COMPANY

www.cfihk.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, we are pleased to report the Group's results for the year ended 31 December 2015.

In 2015, the China's government announced that the annual GDP expanded by 6.9 percent, lower than 7.3 percent in 2014 which is the weakest growth in 25 years. The government targeted the economy to expand at around 7.0 percent for the year. In particular, the retail market across Mainland China experienced a slowdown due to the sluggish global economy, which in turn impacted the luxury market.

The Directors expect to encounter challenges ahead for the coming year in view of the sustainable global economic uncertainties and its effects on the jewellery industry. Due to the unfavourable operating environment, we will review the efficiency of business operation and take procedures in managing costs.

Looking forward, through the completion of acquiring Maxpark Enterprises Limited ("Maxpark") on 25 January 2016 and engaged in (i) retail sales and wholesales of wine products, cigars and tobacco; and (ii) retail and trading of golf products operated by its subsidiaries, namely Queensway Wine International Limited, Queensway Wine (Hong Kong) Limited, Queensway Golf International Limited, Mass Fortune (Asia) Limited and Kasco (HK) Limited. The Directors expect that Maxpark would have a positive future outlook and will deliver encouraging results to Shareholders in 2016. We believe that by leveraging on our high-quality business model and relying on our highly innovative and boldly facing challenges management team, and along with our various core advantages, we will certainly be able to achieve better development in the future.

On behalf of the Board of Directors, we would like to thank all of our directors, management and staffs for their support and dedication in the past year. We would also like to express our most sincere appreciation to the shareholders of the Company and business partners for their unrelenting trust and support to the Group.

Cheng Chun Tak and Wan Zihong
Co-Chairmen

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Diamonds and gemstone business in China

The Group will take a cautious approach according to global economic uncertainties and its effects on the jewellery industry. The Chinese economy continuously slowed down in 2015 due to the continued anti-corruption and austerity drive, which seriously affected high-ticket spending. In addition, Chinese consumers are exhibiting an increasingly sophisticated taste in all major categories including luxury goods, as a result of a general increase in education level and an ease of information access. Those factors have caused overall slackening in consumption and the luxury sector was particularly adversely affected.

Our retail shops City-In-Love positions itself as a distributor in the diamonds and gemstone industry. With its more effective business development strategies, City-In-Love has attracted more attention as one of emerging sales model of jewellery products and has emerged itself the role of representing the affordable and professional diamond retail stores.

I. Purchases

Through the positive interaction with suppliers, the global supply mechanism set up by City-In-Love is more comprehensive and has established stable co-operation with several suppliers.

At the same time, with the exchangeable nature of consignment merchandise, it will also enable City-In-Love to provide more fashionable and popular diamond and jewellery products.

II. Sales

City-In-Love has trimmed down the sales and circulation segments under the traditional department store models through its own retail stores and sold jewellery products at affordable prices by cutting down intermediaries.

Each of the diamonds sold by City-In-Love is attached with a diamond examination certificate issued by authoritative inspection institutes (including GIA, IGI, HRD and NGTC), and has to the greatest extent protected the consumers in buying genuine quality diamonds.

Besides, our retail stores cover emeralds, jades, gemstones and pearls, thus, the merchandise sold at its stores cover nearly all of diamond jewellery products.

III. Jewellery retail stores

City-In-Love integrated its Beijing markets with currently three stores. Besides the 3 chain stores in Beijing, the Group operated its stores in Shenyang and Chengdu.

IV. Group Future Development

Acquisition of wine, cigar and golf products retail and trading business in Hong Kong

On 28 October 2015, the Group and New League Limited ("Vendor") entered into an agreement with the Vendor pursuant to which the Group has conditionally agreed to acquire from the Vendor the entire issued share capital of Maxpark Enterprises Limited and its subsidiaries ("Target Group") at the consideration of HK$250 million. The Group also entered into an agreement with Mr Benson Li ("Mr Li") pursuant to which the Group has conditionally agreed to acquire the Inventories at the consideration of HK$100 million from Mr Li. In general, target clientele of both the wine and golf business of the Target Group are middleclass and the relatively affluent customers who demand for a quality lifestyle. The Target Group's businesses are in line with the Group's business strategy of focusing in the luxury retail market and targeting wealthy middle class consumers with strong spending power.

The Directors consider that the acquisitions are in line with the Group's business diversification strategy and represents an attractive investment opportunity of the Group to tap into business of retail and trading of wine, cigar and golf products in Hong Kong with growth potential and to generate diversified income and additional cashflow through the Target Group. The Directors are of the view that the terms and conditions of the acquisition are fair and reasonable and the acquisition is in the interests of the Group and the Shareholders as a whole. The acquisition was completed on 25 January 2016.

Group and other business

Apart from the acquisition of wine, cigar and golf products retail and trading business in Hong Kong set out in the Business Review and Outlook, the Group had no other significant acquisition or disposal of investments for the year ended 31 December 2015.

The Group continues to explore any other new potential investment opportunities to improve the Group's standard performance and returns to its shareholders.

FINANCIAL REVIEW

Revenue and gross profit

The consolidated revenue of the Group decreased from approximately HK$146 million for the year ended 31 December 2014 to approximately HK$127 million for the year ended 31 December 2015. The entire revenue HK$127 million is from the diamond and jewellery business.

It represents a gross profit margin of approximately 34% and 47% for the years ended 31 December 2015 and 2014 respectively.

Other revenues

The other revenues decreased from approximately HK$1.48 million for the year ended 31 December 2014 to approximately HK$143,000 for the year ended 31 December 2015. The decrease was primarily due to absence of interest income arising from promissory note receivable in 2015.

Selling and distribution expenses

Selling and distribution expenses increased from approximately HK$42 million for the year ended 31 December 2014 to approximately HK$48 million for the year ended 31 December 2015. Selling and distribution expenses mainly included advertising expenses, rental expenses and salaries and wages. The increase in selling and distribution expenses mainly attributed to the increase in advertising expenses in 2015.

Administrative expenses

Administrative expenses slightly decreased from approximately HK$35 million for the year ended 31 December 2014 to approximately HK$34 million for the year ended 31 December 2015. Administrative expenses mainly included consultancy fees, legal and professional fees for acquisition projects and salaries and wages.

Finance costs

Finance costs remained constantly for approximately HK$21 million for the years ended 31 December 2014 and 31 December 2015. The finance costs were mainly consisted of convertible bonds imputed interest and interest in bank borrowings.

Results of group operations

Loss attributable to shareholders of the Company significantly decreased from approximately HK$21 million for the year ended 31 December 2014 to approximately HK$425 million for the year ended 31 December 2015. The change was mainly attributed to the impairment loss on goodwill in 2015.

Dividends

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

LIQUIDITY AND FINANCIAL RESOURCES

The cash and cash equivalents as at 31 December 2014 and 2015 amounted to approximately HK$1.2 million and HK$9.2 million respectively. The major capital resources of the Group included cash generated from operating activities and the proceeds raised by the Group in Hong Kong and The People's Republic of China ("PRC").

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by its management to finance its operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilisation of borrowings to ensure efficient use of the available banking facilities and compliance with loan covenants.

GEARING RATIO

As at 31 December 2015, the Group's gearing ratio (total liabilities by total assets) is 61% (31 December 2014: 55%). It is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

Convertible bonds in the original principal amount of HK$100 million ("CB I") issued by the Group in 2012 was fully converted during the year.

In January 2014, the Group issued convertible bonds with principal amount of HK$312 million (the "CB III"). For the CB II, approximately HK$72.7 million was converted during the year. As at 31 December 2015, principal amount of HK$54.60 million CB II was outstanding with conversion price of HK$2.45 per share.

In June 2015, the Group issued convertible bonds with principal amount of HK$120 million (the "CB IV") to raise funds for the future business developments of the Group. The CB IV do not bear any interest. The effective interest rate of liability is 12.87%. The maturity dates is on the second anniversary of the date of issue of the CB IV. The CB IV has not been converted as at 31 December 2015.

For details, please refer to note 25 to the consolidated financial statements.

CHARGE ON GROUP ASSETS

As at 31 December 2015, the Group's motor vehicles with carrying value amounting to Nil were pledged to the financial institution. Save as disclosed above, no other Group's assets were charged or pledged to secure any loans or borrowings.

FOREIGN EXCHANGE EXPOSURE

Since the Group's sales, purchases and loans were substantially denominated in either Renminbi or Hong Kong Dollar, the Directors of the Company consider that the potential foreign exchange exposure of the Group is limited.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group employed a workforce with head count of approximately 80, the majority of whom were employed in the PRC. Employee benefit expenses, including directors' emoluments, amounted to approximately HK$11.5 million. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to retirement scheme and medical insurance.

ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed above, the Group had no other acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, the Group did not have any future plans for material investments or capital assets as at 31 December 2015.

SIGNIFICANT INVESTMENT

Save as disclosed above, the Group did not have any significant investment as at 31 December 2015.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Corporate Governance Code (the "CG") contained in Appendix 15 of the GEM Listing Rules was introduced on 1 January 2005. It sets out the principles of good corporate governance and the Company is required to comply with the code provisions of the CG. The Company is fully admitted that good corporate governance, as part of the Company's culture, can create values to the Group and our shareholders. The Board is committed to continue to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. Except for disclosed in this report, the Group has adopted practices which meets the code provisions of the CG.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by Directors as set out in the code of conduct for the year 2015.

BOARD COMPOSITION

The Board of Directors ("Board") of the Company is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the Chairman and Chief Executive Officer and the management.

The Board comprises a total of 12 Directors, with 7 Executive Directors, namely Mr. Cheng Chun Tak (Co-chairman), Mr. Wan Zihong (Co-chairman, Chief Executive Officer), Mr. Stephen William Frostick, Mr. Zhang Jie, Mr. He Ling, Mr. Chang Chun and Mr. Xue Huixuan, 1 Non-executive Director, namely Mr. Huang Shenglan and 4 Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan, Mr. Lee Chi Hwa Joshua and Ms. Ching Wai Han. One Independent Non-executive Director has appropriate professional qualifications, accounting and financial management expertise.

As the Company's size is still relatively small and thus is not justified in separating the roles of chairman and chief executive officer of the Company. The Group has in place internal control system to perform the check and balance function. In addition, the Board comprises 12 directors, the balance of power and authority between the Board and management will not be compromised.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

The Company has arranged appropriate insurance cover in respect of the legal action against the Directors.

TRAINING AND SUPPORT OF DIRECTORS

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Directors confirmed that they have complied with the Code Provision A.6.5 of the Code on Directors' training.

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The Board meets regularly over the Company's affairs and operations. Details of the attendance of each member of the Board at the meetings of the Board, its respective committees and the general meetings during the year ended 31 December 2015 are as follows:

Name of Directors	Board Meeting Attended/ Eligible to attend	Audit Committee Meeting Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	General Meeting Attended/ Eligible to attend
Number of meetings held during the financial year	27	4	2	2	5
Executive Directors					
Mr. Cheng Chun Tak *(Co-chairman)*	27/27	N/A	N/A	N/A	2/5
Mr. Wan Zihong *(Co-chairman)*	23/27	N/A	N/A	N/A	N/A
Mr. Chang Chun	23/27	N/A	N/A	N/A	N/A
Mr. Zhang Jie	13/27	N/A	N/A	N/A	N/A
Mr. He Ling	23/27	N/A	N/A	N/A	N/A
Mr. Stephen William Frostick	27/27	N/A	N/A	N/A	3/5
Mr. Xue Huixuan	23/27	N/A	N/A	N/A	N/A
Non-executive Director					
Mr. Huang Shenglan	23/27	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Lee Chi Hwa, Joshua	23/27	4/4	2/2	2/2	N/A
Mr. Xu Jingan (Appointed on 27 October 2015)	6/6	1/1	N/A	N/A	N/A
Mr. Chang Jun	23/27	4/4	2/2	2/2	N/A
Ms. Ching Wai Han	23/27	N/A	N/A	N/A	N/A
Mr. Tso Hon Sai, Bosco (Resigned on 31 July 2015)	12/15	2/2	1/1	1/1	N/A

All of the Independent Non-executive Directors were unable to attend the Company's annual general meeting held on 5 May 2015 and extraordinary general meetings held during the year due to other prior business engagements.

NON-EXECUTIVE DIRECTORS

The Non-executive Directors are subject to retirement by rotation in accordance with the articles of association of the Company (the "Articles").

All the existing Non-executive Directors are appointed for an initial term of three years and the term of office shall continue after the expiration of the initial term until at least 1 month's prior written notice is given by the Director. The remuneration packages for Non-executive directors are determined by the Board of Directors. They are reimbursed for reasonable expenses incurred during the performance of their duties to the Company and are eligible to be granted share options under the Share Option Scheme.

REMUNERATION OF DIRECTORS

A Remuneration Committee was formed on 30 October 2005 for, inter alia, the following purposes:–

(a) to make recommendations to the Board on policies and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to determine the remuneration packages for Executive Directors and senior management and to make recommendations to the Board on the remuneration of Non-executive Directors.

The Remuneration Committee is made up of the Company's Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan and Mr. Lee Chi Hwa Joshua. Mr. Lee Chi Hwa Joshua is the Chairman of the Remuneration Committee.

Meetings have been held in 2015 to review the remuneration packages of Executive Directors, which are nominal by market standards. The Directors' fees of the Company's Independent Non-executive Directors have not been changed during the year according to market levels. The Remuneration Committee held 2 meetings during the year to consider and approve (a) bonus payments to employees of the Group, (b) salary increases of senior management of the Group and (c) range of salary increase for employees of the Group.

The Remuneration Committee will meet and determine the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Company's Directors in 2015.

NOMINATION OF DIRECTORS

A Nomination Committee was formed on 31 October 2007 for, inter alia, the following purposes:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board;

(b) to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship; and

(c) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for Directors.

The Nomination Committee is made up of the Company's Independent Non-executive Directors, namely Mr. Chang Jun, Mr. Xu Jingan and Mr. Lee Chi Hwa Joshua, Mr. Chang Jun is the Chairman of the Nomination Committee. The Nomination Committee held 2 meetings during the year to review the structure, size and composition of the Company's Board of Directors. The Nomination Committee was satisfied with the existing composition of the Company's Board of Directors and recommended no change in the near term.

The Nomination Committee will meet and determine the nomination procedures and the process and criteria to select and recommend candidates for directorship in 2016.

AUDITOR'S REMUNERATION

The remuneration in respect of audit provided by the auditors, HLM CPA Limited, to the Company for the year 2015 amounted to HK$900,000. No non-audit services were provided by HLM CPA Limited during the year.

AUDIT COMMITTEE

The Company's Audit Committee was formed on 13 July 2000 and is currently composed of three Independent Non-executive Directors of the Company, namely Mr. Lee Chi Hwa Joshua, Mr. Xu Jingan and Mr. Chang Jun, Mr. Lee Chi Hwa Joshua is the Chairman of the Audit Committee. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group.

In 2015, the Audit Committee held 4 meetings. The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Audit Committee also carried out and discharged its duties set out in the CG. In the course of doing so, the Audit Committee has met the Company's management, qualified accountant and external auditors in 2015.

CORPORATE GOVERNANCE FUNCTIONS OF THE BOARD

The Board is responsible for performing the corporate governance functions of the Group. The Board has reviewed this corporate governance report in discharge of its corporate governance functions, ensuring compliance with the GEM Listing Rules.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the consolidated financial statements, which give a true and fair view. The Auditors are responsible for forming an independent opinion, based on the audit, on the consolidated financial statements prepared by the Directors and reporting the opinion solely to the shareholders of the Company.

INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective internal control system of the Group and has established the Group's internal control policies and procedures for monitoring the internal control system. The internal control system of the Group is designed for the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

The Board is of the view that the Group's internal control system is effective to achieve the Group's internal control objectives and will continue to assess the effectiveness of internal controls by considering reviews performed by the Audit Committee and the management.

COMPANY SECRETARY

Mr. Chow Kin Wing ("Mr. Chow") is the company secretary of the Company ("Company Secretary"). He is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. During the year, the Company fully complied with Rules 5.14 of the GEM Listing Rules.

Up to the date of this report, Mr. Chow has undertaken not less than 15 hours of relevant professional training.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders and established a range of communication channels between itself, its shareholders and investors which in compliance with the GEM Listing Rules. During the year under review, there is no change in the Company's constitutional documents.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 58 of the Articles, general meetings shall be convened on the written requisition of any one or more members 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 or the secretary of the Company, to require an extraordinary general meeting 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 requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The provisions for a shareholder to propose a person for election as a director of the Company are laid down in article 88 of the Articles. No person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election to as a Director at any general meeting unless a notice in writing of the intention to propose such person for election as a Director, signed by a shareholder (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by such person of his willingness to be elected shall have been lodged at the head office or at the Registration Office. The minimum length of the period during which such notices are given shall be at least seven days and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company, for the attention of Company Secretary, by mail to Room 2204, 22/F, MassMutual Tower, 38 Gloucester Road, Wan Chai, Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cheng Chun Tak, aged 54, is the Co-Chairman of the Company. He was graduated from Xidian University (formerly known as Xi Bei Institute of Telecommunications Engineering（西北電訊工程學院）) in 1983 majored in Computer Engineering and obtained a Bachelor Degree in Computer Engineering. In 1986, he obtained a Master Degree in Engineering (Computer Science) from the Institute of Microelectronics of Shanxi（陝西微電子學研究所）.

Mr. Cheng has been worked as the general manager of Proxim Wireless Corporation (OTCQX: PRXM) from 2002 to 2004. Listed in United States, Proxim Wireless Corporation is a global leading provider for products and services in end-to-end broadband wireless system that provides integrated services in data transmission, acoustic frequency, audio frequency and mobile networks for all companies. Mr. Cheng is mainly responsible for the sales and after-sales services of that company in the Greater China region, being Hong Kong, Mainland China, Macau and Taiwan.

Mr. Cheng has extensive experience in the sales and customer services of communication industry in which he has over 20 years of experience in sales and customer services.

Mr. Wan Zihong, aged 51, is the Co-Chairman and Chief Executive Officer of the Company. He has over 10 years' experience in project management and marketing in retail sales in The PRC. He has been responsible for launching a large scale shopping arcade for women in Beijing and similar projects in Hebei and Tianjin, PRC. Mr. Wan had also been actively engaged in the retail sales of luxury products such as gold and diamonds in the PRC. Mr. Wan is currently a director of various subsidiaries of the Company engaging in diamond sales in the PRC.

Mr. Chang Chun, aged 51, has over 20 years' experience in the wholesale and trading of diamonds in Japan and the PRC. Prior to joining the Group, Mr. Chang worked for a Japanese corporation in its diamond wholesale business in the PRC. Mr. Chang is currently a director of various subsidiaries of the Company engaging in diamond sales in the PRC.

Mr. Xue Huixuan, aged 48, is a holder of Bachelor's Degree of Beijing University of Civil Engineering and Architecture. He was an engineer of the Design Management Department of Sinopec International Petroleum Engineering Company, and took up duties in EDS department of Maison Worley Parsons E&C Company Limited in Beijing as a professional person-in-charge and a project manager. Mr. Xue has been engaged in engineering design, technology introduction, international cooperation, investment and financing as well as guarantee operations for a number of years. He has extensive experience in project management, technology management, financial management and actual operation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Stephen William Frostick, aged 66, he obtained a Juris Doctorate at Old College School of Law, Nevada, United States in 1984, a Master of Public Administration and a Bachelor of Science in Business Administration at the University of Nevada, Las Vegas, United States in 1976 and 1974 respectively. Mr. Frostick has over 35 years of experience in leading capacities in the State Government of Nevada, United States, large corporations and international consulting organisations. Mr. Frostick is well experienced in strategic planning, operational management and organisational development and has about 40 years of senior management experience. He joined the Group in 2007.

Mr. Zhang Jie, aged 56, was graduated from Beijing Institute of Technology in 1983 and obtained a Bachelor degree of Engineering. In 1988, he obtained a professional engineer qualification in computer technology from Beijing Municipal Bureau of scientific and technical cadres.

Mr. Zhang has over 10 years' experience in risk management, electronic engineering, fund management and marketing. Mr. Zhang is the director of Fortman Fund.

Mr. He Ling, aged 51, he founded and operated various trading companies and large scale retailing malls. He has engaged in the investment of various sectors such as film, television, real estate and culture over 10 years. Currently, Mr. He is the chairman of Ru Yi Ji Xiang Film & Television Planning Company（如意吉祥影視策劃公司）and an executive director of Beijing Shi Ji Jing Rong Investment Advisory Co., Ltd.（北京世紀京融投資顧問有限公司）.

NON-EXECUTIVE DIRECTOR

Mr. Huang Shenglan, aged 65, holds a diploma in Arts from Huazhong Normal University, a master degree in International Economics from Huadong Normal University and a certificate in International Economic Law from Xiamen University. He also took the Advanced Management Programme from the Business School of Harvard University, USA. Mr. Huang was an executive director and the deputy governor of China Everbright Bank, Head Office and was an executive director and the general manager of China Everbright Technology Limited. He is also an Independent Non-executive Director of China LotSynergy Holdings Limited and Burwill Holdings Limited. All Companies are listed in Hong Kong Stock Exchange. Apart from the above, he did not hold any directorship in other listed companies in Hong Kong or overseas in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Chi Hwa, Joshua, aged 43, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee has extensive experience in the fields of auditing, accounting and finance. He is currently the Executive Director of Telefield International (Holdings) Limited and the Independent Non-executive Director of Code Agriculture (Holdings) Limited, Focus Media Network Limited, Hao Tian Development Group Limited and Jin Bao Bao Holding Limited which are listed on the Stock Exchange of Hong Kong Limited. He joined the Group in 2007.

Mr. Xu Jingan, aged 74, was graduated from Shanghai Fudan University with a Bachelor in Journalism in 1964. Mr. Xu previously served as the vice chairman of Shenzhen Stock Exchange. He has more than 30 years' experience in Finance and Economics in PRC. Mr. Xu is currently an independent Director of 安信基金管理 (ESSENCE FUND Co. Limited) and 深圳怡亞通供應鏈股份有限公司 (Eternal Asia Supply Chain Management Limited). He joined the Group on 27 October 2015.

Mr. Chang Jun, aged 47, is currently a partner of Messrs, Allbright Law Office-Shenzhen and has been a Chartered lawyer of Chinese Ministry of Law since 2000. Mr. Chang received his Bachelor of Laws degree from Southwest University of Polities & Law, Chongqing and master degree in Economic & Commercial Law in People's University of China, Beijing. Mr. Chang has more than 15 years' experience in Chinese legal profession and extensive experience in legal advisory to public and multinational enterprise in PRC. He joined the Group in 2007.

Ms. Ching Wai Han, aged 40, she obtained a Master of Commerce in International Business at the University of New South Wales in 2001 and a Bachelor of Social Science at the Chinese University of Hong Kong in 1999. Ms. Ching has extensive experience in the field of public relation over 10 years. She joined the Group in 2012.

SENIOR MANAGEMENT

Mr. Chow Kin Wing, aged 34, is the Company Secretary and Chief Financial Officer of the Company, who holds a Bachelor degree in Accounting and Finance from the Queensland University of Technology, Australia. He is an associate member of Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has more than 10 years of experience in financial management, auditing and accounting in an international accounting firm and a listed company in Hong Kong.

REPORT OF DIRECTORS

The Directors of the Company ("Directors") submit herewith their annual report together with the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's segment information is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 and the state of the affairs of the Group at that date are set out in the consolidated financial statements on pages 27 to 90.

The Directors do not recommend the payment of a dividend for the year.

PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2015 are set out in note 36 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 31 and note 37 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company has no reserves available for distribution to shareholders (2014: Nil) in accordance with the Companies Law of the Cayman Islands and the Company's Articles of Association.

CONVERTIBLE BONDS

Details of movements in the convertible bonds of the Group during the year are set out in note 25 to the consolidated financial statements.

DONATION

The Group's charitable and other donations during the year amounted to approximately HK$Nil (2014: HK$340,000). No donations were made to political parties.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the sections headed "Management Discussion And Analysis" on pages 4 to 7 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

FUND RAISING ACTIVITIES OF THE COMPANY UNDER GENERAL MANDATE

With respect to the placing on 3 February 2015, 124,600,000 new ordinary shares were placed to not less than six independent individual or corporate investors at the placing price of HK$0.13 per share. The aggregate nominal value of the placing shares was HK$623,000. The net price per placing share after deducting relevant expenses was approximately HK$0.127. The closing price of the Company's shares as quotes on GEM on 3 February 2015, being the date of the placing agreement, was HK$0.16. The net proceeds from the placing was approximately HK$10 million for selling and marketing expenses, HK$2 million for repayment to directors and HK$3.88 million used for general corporate expenses. The Directors considered that the placing represented a good opportunity to broaden the capital and shareholder base of the Company and to raise capital for its business operation and development.

With respect to the placing on 2 June 2015, 398,800,000 new ordinary shares were placed to not less than six independent individual or corporate investors at the placing price of HK$0.3 per share. The aggregate nominal value of the placing shares was HK$1,994,000. The net price per placing share after deducting relevant expenses was approximately HK$0.285. The closing price of the Company's shares as quotes on GEM on 2 June 2015, being the date of the placing agreement, was HK$0.34. The net proceeds from the placing was approximately HK$25 million for repayment of other payables, HK$25 million for purchasing inventories, HK$35 million as loan to a third party, HK$18.5 million for general working capital and the balance held as bank deposit. The Directors considered that the placing represented a good opportunity to broaden the capital and shareholder base of the Company and to raise capital for its business operation and development.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 91 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	41%
– five largest suppliers combined	89%

Sales

– the largest customer	38%
– five largest customers combined	43%

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers or suppliers above.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 35 to the consolidated financial statements.

DIRECTORS

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

Mr. Cheng Chun Tak *(Co-chairman)*
Mr. Wan Zihong *(Co-chairman)*
Mr. Stephen William Frostick
Mr. Zhang Jie
Mr. He Ling
Mr. Chang Chun
Mr. Xue Huixuan
Mr. Huang Shenglan#
Mr. Lee Chi Hwa, Joshua*
Mr. Xu Jingan* (Appointed on 27 October 2015)
Mr. Chang Jun*
Ms. Ching Wai Han*
Mr. Tso Hon Sai, Bosco* (Resigned on 31 July 2015)

Non-executive Director
* *Independent Non-executive Director*

One-third of the Directors shall retire at the forthcoming annual general meeting in accordance with Article 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION 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 or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the ordinary shares of HK$0.005 each of the Company

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares	Approximate percentage of issued share capital
Mr. Zhang Jie *(Note 1)*	Beneficial	21,342,857	–	0.89%
Mr. Xue Huixuan *(Note 2)*	Beneficial	–	22,285,714	0.93%

Note:

1. Mr. Zhang Jie, an Executive Director of the Company, deemed to have interest in the Company which is held by GLORYWIDE GROUP LIMITED.

2. Mr. Xue Huixuan, an Executive Director of the Company has interest in the Company.

Long Positions in the underlying shares

Save as disclosed above, as at 31 December 2015, none of the Directors or the Chief Executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years and will continue thereafter until the contract is terminated by either party giving to the other party not less than one calendar months' notice in writing.

As at 31 December 2015, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transaction disclosed in note 31 to the consolidated financial statements, no contracts of significance in relation to the Company's business to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and the "Share option scheme" below, at no time during the year have rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION

The Company adopted a share option scheme on 30 July 2007 ("the Scheme"), which became effective for a period of 10 years commencing on 10 August 2007. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company ("Share") at the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 21 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of the Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the shares in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the date of the passing of the relevant resolution adopting the Scheme.

As at 31 December 2015, no share options were outstanding.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 December 2015, the following persons (other than the director and the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the ordinary shares of HK$0.005 each of the Company

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares	Total Number of shares and underlying shares	Approximate percentage of issued share capital
Shiny Valour Limited *(Note 1)*	Beneficial	152,000,000	–	152,000,000	6.35%
北京永安財富投資基金管理有限公司 *(Note 2)*	Beneficial	–	280,000,000	280,000,000	11.70%
Radiant Thrive Enterprises Limited *(Note 3)*	Beneficial	–	200,000,000	200,000,000	8.36%

Note:

1. Shiny Valour Limited is wholly owned by Yao Yi Yi who is deemed to be interested in the shares.
2. 北京永安財富投資基金管理有限公司 is wholly owned by Liu Shuo who is deemed to be interested in the shares.
3. Radiant Thrive Enterprises Limited is wholly owned by Zhang Cheng Cheng who is deemed to be interested in the shares.

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2015, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of GEM Listing Rules.

Significant related party transactions entered by the Group during the year, which do not constitute connected transactions under GEM Listing Rules, are disclosed in note 31 to the consolidated financial statements.

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2015, any business or interest of each Director, controlling shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

AUDITORS

HLM CPA Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Cheng Chun Tak and Wan Zihong
Co-Chairmen

Hong Kong, 30 March 2016

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: info@hlm.com.hk

TO THE SHAREHOLDERS OF CHINA FORTUNE INVESTMENTS (HOLDING) LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Fortune Investments (Holding) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 90, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, 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.

Auditor's responsibility

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

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

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

Opinion

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

HLM CPA Limited
Certified Public Accountants
Chan Lap Chi
Practising Certificate Number: P04084

Hong Kong, 30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	6	**127,037**	146,188
Cost of sales		**(84,092)**	(77,804)
Gross profit		**42,945**	68,384
Other income and gains, net	6	**143**	1,478
Selling and distribution expenses		**(47,771)**	(41,736)
Administrative expenses		**(34,433)**	(35,004)
Impairment loss on goodwill	13	**(346,176)**	–
Loss on redemption of convertible bonds		**(15,207)**	–
Other expenses	8	**(2,485)**	(86)
Finance costs	7	**(20,509)**	(21,136)
Gain on settlement of contingent consideration payable		**–**	9,932
Loss before tax	8	**(423,493)**	(18,168)
Income tax expense	10	**(1,911)**	(2,528)
Loss for the year attributable to owners of the Company		**(425,404)**	(20,696)
Loss per share	11		(Re-presented)
Basic and diluted		**HK(20.04) cents**	HK(1.92) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 *HK$'000*	2014 *HK$'000*
Loss for the year	**(425,404)**	(20,696)
Other comprehensive expense		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(15,397)**	(6,016)
Other comprehensive expense for the year, net of tax	**(15,397)**	(6,016)
Total comprehensive expense for the year attributable to owners of the Company	**(440,801)**	(26,712)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	12	**11,372**	24,010
Deposits and prepayments	17	**41,469**	5,312
Goodwill	13	**26,223**	372,399
Deferred tax asset	26	**642**	674
		79,706	402,395
Current assets			
Inventories	14	**250,260**	233,442
Trade receivables	15	**709**	381
Promissory note receivable	16	**17,600**	80,000
Other receivables, deposits and prepayments	17	**75,115**	128,254
Refundable deposits for acquisition of investments	18	**119,524**	–
Cash and cash equivalents	19	**9,268**	1,226
		472,476	443,303
Current liabilities			
Trade payables	20	**10,067**	18,537
Accruals, other payables and deposits received	21	**108,940**	179,603
Interest-bearing bank borrowings	22	**57,171**	81,835
Amounts due to directors	24	**6,113**	11,748
Tax payable		**5,604**	9,250
		187,895	300,973
Net current assets		**284,581**	142,330
Total assets less current liabilities		**364,287**	544,725

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
Non-current liabilities			
Interest-bearing bank borrowings	22	**–**	504
Convertible bonds	25	**150,398**	161,135
		150,398	161,639
Total assets less liabilities		**213,889**	383,086
Equity			
Equity attributable to owners of the Company			
Issued capital	27	**11,965**	3,116
Reserves		**201,924**	379,970
Total equity		**213,889**	383,086

Mr. Cheng Chun Tak
Director

Mr. Wan Zihong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

		Attributable to owners of the Company							
	Notes	Issued capital HK$'000	Share premium account HK$'000	Merger reserve HK$'000 (Note (i))	Statutory surplus reserve HK$'000 (Note (ii))	Convertible bonds equity reserve HK$'000	Foreign currency translation reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015		3,116	1,531,679	(46,815)	2,817	14,652	(4,004)	(1,118,359)	383,086
Loss for the year		–	–	–	–	–	–	(425,404)	(425,404)
Other comprehensive expense for the year:									
Exchange differences on translation of foreign operations		–	–	–	–	–	(15,397)	–	(15,397)
Total comprehensive expense for the year		–	–	–	–	–	(15,397)	(425,404)	(440,801)
Issue of shares	27	8,849	251,629	–	–	–	–	–	260,478
Share issue expenses	27	–	(9,970)	–	–	–	–	–	(9,970)
Issue of convertible bonds	25	–	–	–	–	21,096	–	–	21,096
Eliminated upon redemption of convertible bonds		–	–	–	–	(12,454)	–	12,454	–
At 31 December 2015		**11,965**	**1,773,338**	**(46,815)**	**2,817**	**23,294**	**(19,401)**	**(1,531,309)**	**213,889**
At 1 January 2014		221,432	1,311,243	(46,815)	2,817	16,443	2,012	(1,333,751)	173,381
Loss for the year		–	–	–	–	–	–	(20,696)	(20,696)
Other comprehensive expense for the year:									
Exchange differences on translation of foreign operations		–	–	–	–	–	(6,016)	–	(6,016)
Total comprehensive expense for the year		–	–	–	–	–	(6,016)	(20,696)	(26,712)
Issue of shares	27	17,772	225,031	–	–	(14,345)	–	–	228,458
Share issue expenses	27	–	(4,595)	–	–	–	–	–	(4,595)
Capital reorganisation	27(b)	(236,088)	–	–	–	–	–	236,088	–
Issue of convertible bonds	25	–	–	–	–	12,554	–	–	12,554
At 31 December 2014		3,116	1,531,679	(46,815)	2,817	14,652	(4,004)	(1,118,359)	383,086

Notes:

(i) The Group's merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to a reorganisation in prior years.

(ii) In accordance with the relevant PRC regulations, the subsidiaries which are established in the PRC are required to transfer 10% of their profits after tax, as determined under the PRC accounting regulations, to the statutory surplus reserve, until the balance of the reserve reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory surplus reserve may be used to offset against accumulated losses of the respective subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax		**(423,493)**	(18,168)
Adjustments for:			
Interest income	6	**(11)**	(1,300)
Finance costs	7	**20,509**	21,136
Impairment loss on inventories	14	**15,854**	–
Impairment loss on goodwill	13	**346,176**	–
Impairment loss on other receivables	8	**1,200**	86
Write off of promissory note interest receivable	8	**1,285**	–
Write off of property, plant and equipment	8	**3,449**	–
Loss on redemption of convertible bonds	8	**15,207**	–
Gain on settlement of contingent consideration payable	8	**–**	(9,932)
Depreciation of property, plant and equipment	12	**9,703**	10,868
Operating cash flows before movements in working capital		**(10,121)**	2,690
Increase in inventories		**(32,106)**	(47,430)
(Increase) decrease in trade receivables		**(328)**	408
Decrease in other receivables, deposits and prepayments		**52,827**	12,546
Decrease in trade payables		**(8,470)**	(3,708)
(Decrease) increase in accruals, other payables and deposits received		**(73,405)**	7,963
Effect of foreign exchange rate changes, net		**(15,963)**	(5,295)
Cash used in operations		**(87,566)**	(32,826)
Interest paid		**(7,285)**	(6,187)
Interest element of finance lease rental payments		**(30)**	(51)
Overseas taxes paid		**(6,960)**	(7,906)
Net cash flows used in operating activities		**(101,841)**	(46,970)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received		**11**	15
Purchases of property, plant and equipment	12	**(1,182)**	(1,454)
Proceeds from disposal of property, plant and equipment		**–**	16
Increase in refundable deposits for acquisition of investments		**(119,524)**	–
Prepayment for acquisition of subsidiaries		**(38,330)**	–
Decrease in promissory note receivable		**62,400**	–
Decrease in pledged deposit		**–**	7,692
Net cash flows (used in) generated from investing activities		**(96,625)**	6,269
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27	**260,478**	38,627
Share issue expenses	27	**(9,970)**	(4,595)
Proceeds from issue of convertible bonds		**120,000**	–
Redemption of convertible bonds		**(135,300)**	–
Capital element of finance lease rental payments		**(585)**	(564)
Drawdown of bank loans		**129,762**	210,379
Repayment of bank loans		**(150,476)**	(175,949)
(Decrease) increase in amounts due to directors		**(5,635)**	1,055
Repayment of advances from a shareholder of the Company/a former shareholder of a subsidiary		**–**	(25,933)
Net cash flows generated from financing activities		**208,274**	43,020
NET INCREASE IN CASH AND CASH EQUIVALENTS		**9,808**	2,319
Cash and cash equivalents at beginning of year		**1,226**	808
Effect of foreign exchange rate changes, net		**(1,766)**	(1,901)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**9,268**	1,226

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13 October 1999 under the Companies Law of the Cayman Islands and its shares are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited ("Stock Exchange").

The registered office address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 2204, 22/F., MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 36 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

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

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after a date to be determined

The directors of the Company is in the process of making an assessment of the potential impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principle accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess 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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in subsidiaries

Investment in subsidiaries presented in the statement of financial position included in note 37 to the consolidated financial statements are stated at cost less any identified impairment loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the cost incurred or to be incurred in respect of the transaction can be measured reliably.

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

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see in the accounting policy below). Contingent rentals are recognised as expenses in the period in which they are incurred.

Operating lease payments are recognised as an expense on straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

– exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

– exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

– exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

On the disposal of a foreign operation, (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended used or sale.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contribution are made based on percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, in accordance with the rules of the MPF Scheme.

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

Share-based payments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Leasehold improvements	33% to 50%
Furniture, fixtures and equipment	20%
Computer equipment	33%
Motor vehicles	20% to 33%

Assets under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered and impairments loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual assets, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit., or otherwise they are allocated to the smallest group of cash-generating unit for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whatever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill (continued)

If the recoverable amount of an assets (or a cash-generating unit) is estimated to be less than is carrying amount, the carrying amount of the assets (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the assets (or cash-generating unit) in increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior year. A reversal of an impairment loss is recognised immediately in profits or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the specific identification basis for loose diamonds and gem-set jewellery; and weighted average for other inventories. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is possible that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposit, 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 the financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) the entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

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

(v) the entity has a post-employment benefit plan for the benefits 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);or

(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).

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, promissory note receivable, refundable deposits for acquisition of investments, financial assets included in other receivables, deposits and prepayments and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables and other receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Convertible bonds

The component parts of convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium account. When the conversion option remains unexercised at the maturity date of the convertible bond, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments *(continued)*

Financial liabilities

Financial liabilities (including trade payables, accruals, other payables and deposits received, interest-bearing bank borrowings and amounts due to directors) are subsequently measure at amortised cost using the effective interest method.

Interest expense is recognised on an effective interest basis.

Effective interest method

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

Offsetting of financial instruments

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

4. CRITICAL ACCOUNT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend. The Group considered that if the profits will not be distributed in the foreseeable future, then no withholding taxes should be provided.

Key sources of estimation uncertainty

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

Impairment of goodwill

The Group determined 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 as at 31 December 2015 was approximately HK$26,223,000 (2014: HK$372,399,000). Further details are given in note 13 to the consolidated financial statements.

4. CRITICAL ACCOUNT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

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. Non-financial assets (other than goodwill) are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment 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.

Impairment allowance for trade and other receivables and deposits

The Group makes impairment allowance for trade and other receivables and deposits based on an assessment of the recoverability of trade and other receivables and deposits. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of trade and other receivables and impairment allowance for trade and other receivables in the year in which such estimate has been changed.

Net realisation value of inventories

Net realisation value of inventories is based on estimated selling prices less any estimation costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group will reassess the estimation at the end of each reporting period.

Revenue recognition

The Group recorded certain sale of goods to customers, who have the unconditional right to require the Group to repurchase the related goods at an agreed price. The Group considered that, based on past experience with similar sales, a reasonable estimate of future returns, as well as the provision against revenue for estimated return, could not be made by the Group as at the date of approval of these consolidated financial statements. Accordingly, no revenue would be recognised by the Group for these sales transactions.

5. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is the diamond and jewellery business. Since the diamond and jewellery business is the only operating segment of the Group, no further analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	2015	2014
	HK$'000	*HK$'000*
Mainland China	**127,037**	146,188

The revenue information is based on the locations of the customers.

(b) Non-current assets

	2015	2014
	HK$'000	*HK$'000*
Mainland China	**36,549**	395,489
Hong Kong	**1,046**	920
	37,595	396,409

The non-current assets information above is based on the locations of the assets and excludes deposits and prepayments and deferred tax assets.

Information about major customers

Revenue of approximately HK$48,586,000 was derived from sales to the largest customer for the year ended 31 December 2015 (2014: approximately HK$19,846,000) which represent approximately 38% (2014: approximately 14%) of the revenue.

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns, trade discounts, value-added tax and consumption tax.

An analysis of the Group's revenue, other income and gains, net, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**127,037**	146,188
Other income and gains, net		
Bank interest income	**11**	15
Interest income from promissory note receivable	**–**	1,285
Others	**132**	178
	143	1,478

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**4,989**	5,490
Interest on finance lease	**30**	51
Interest on convertible bonds	**10,452**	10,652
Amortisation of guarantee fees on bank loans	**246**	697
Provision of finance costs for deposits received	**4,792**	4,246
	20,509	21,136

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging (crediting) the following items:

	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold *(note 14)*	**84,092**	77,804
Impairment loss on inventories *(note 14)*	**15,854**	–
Auditor's remuneration	**900**	860
Depreciation of property, plant and equipment	**9,703**	10,868
Employee benefit expenses (excluding directors' and chief executive's remuneration – *note 9*):		
Wages and salaries	**8,196**	10,346
Pension scheme contributions	**833**	2,834
	9,029	13,180
Minimum lease payments under operating leases in respect of land and buildings	**7,861**	19,558
Write off of property, plant and equipment	**3,449**	–
Impairment loss on goodwill	**346,176**	–
Loss on redemption of convertible bonds	**15,207**	–
Gain on settlement of contingent consideration payable	**–**	(9,932)
Write off of promissory note interest receivable*	**1,285**	–
Impairment loss on other receivables*	**1,200**	86

* *Included in "other expenses" on the face of the consolidated statement of profit or loss.*

9. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable GEM Listing Rules and Hong Kong Companies Ordinance, is as follows:

(a) Directors' emoluments

	Fees	Other emoluments			Total
		Salaries, allowances and benefits in kind	Performance related bonus	Pension scheme contributions	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015					
Executive directors:					
Cheng Chun Tak	50	–	–	–	50
Wan Zihong *(note a)*	50	–	–	–	50
Chang Chun	600	–	–	–	600
Zhang Jie	–	–	–	–	–
He Ling	–	–	–	–	–
Stephen William Frostick	120	–	–	–	120
Xue Huixuan	100	–	–	–	100
Non-executive director:					
Huang Shenglan	120	–	–	–	120
Independent non-executive directors:					
Chang Jun	60	–	–	–	60
Tso Hon Sai Bosco *(note b)*	35	–	–	–	35
Lee Chi Hwa Joshua	60	–	–	–	60
Ching Wai Han	60	–	–	–	60
Xu Jingan *(note c)*	15	–	–	–	15
	1,270	–	–	–	1,270
Senior management:					
Ang Wing Fung *(note d)*	–	190	–	4	194
Total	1,270	190	–	4	1,464

9. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES REMUNERATION (continued)

(a) Directors' emoluments (continued)

	Fees	Other emoluments			Total
		Salaries, allowances and benefits in kind	Performance related bonus	Pension scheme contributions	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2014					
Executive directors:					
Cheng Chun Tak	600	–	–	–	600
Wan Zihong *(note a)*	600	–	–	–	600
Chang Chun	600	–	–	–	600
Zhang Jie	600	–	–	–	600
He Ling	600	–	–	–	600
Stephen William Frostick	120	–	–	–	120
Xue Huixuan	350	–	–	–	350
Non-executive director:					
Huang Shenglan	120	–	–	–	120
Independent non-executive directors:					
Chang Jun	60	–	–	–	60
Tso Hon Sai Bosco *(note b)*	60	–	–	–	60
Lee Chi Hwa Joshua	60	–	–	–	60
Ching Wai Han	60	–	–	–	60
	3,830	–	–	–	3,830
Senior management:					
Ang Wing Fung *(note d)*	–	1,053	–	17	1,070
	3,830	1,053	–	17	4,900

The directors' emoluments disclosed above include their services in connection with the management of the affairs of the Group. No director waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014.

Note:

(a) Mr. Wan Zihong is also the chief executive officer of the Group.

(b) Resigned on 31 July 2015.

(c) Appointed on 27 October 2015.

(d) Resigned on 18 March 2015.

9. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES REMUNERATION
(continued)

(b) Five highest paid and individual

Of the five highest paid individuals of the Group for the year ended 31 December 2015, included one director (2014: four directors and one chief executive) of the Company, whose remuneration is disclosed above. The remaining four (2014: Nil) are employees of the Group, details of whose remuneration were as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,004**	–
Pension scheme contributions	**53**	–
	2,057	–

The number of the highest paid employees who are neither a director nor chief executive of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
Nil to HK$1,000,000	**3**	–
HK$1,000,001 to HK$1,500,000	**1**	–

During the year, no emoluments were paid by the Group to any of the highest paid employees who are neither a director nor chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

10. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the year (2014: Nil).

Pursuant to the PRC Enterprise Income Tax Law effective on 1 January 2008, the enterprise income tax rate is 25% for all enterprises in Mainland China.

	2015	2014
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Over-provision of taxation for prior years	**–**	(4)
Current tax – Mainland China		
Charge for the year	**253**	2,532
Under-provision of taxation for prior years	**1,658**	–
	1,911	2,532
Total tax charge for the year	**1,911**	2,528

Total tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2015	2014
	HK$'000	*HK$'000*
Loss before tax	**(423,493)**	(18,168)
Tax at the applicable statutory tax rates	**(72,380)**	(2,808)
Income not subject to tax	**(17)**	(1,852)
Expenses not deductible for tax	**71,512**	5,686
Tax losses not recognised	**1,138**	1,506
Under (over)-provision of taxation for prior years	**1,658**	(4)
Total tax charge for the year	**1,911**	2,528

The Group has estimated tax losses arising in Hong Kong of approximately HK$36,367,000 (2014: approximately HK$51,876,000) that are available indefinitely for offsetting against future taxable profits of the Company and the respective subsidiaries in which the losses arose. The Group also has estimated tax losses arising in Mainland China of approximately RMB19,168,000 equivalent to approximately HK$22,819,000 (2014: approximately RMB14,377,000, equivalent to approximately HK$17,971,000) that will expire in five years for offsetting against future taxable profit of the companies in which the losses arose. No deferred tax assets have been recognised in respect of these losses as the directors consider it not probable that future taxable profit will be available against which these tax losses can be utilised.

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to the owners of the Company of HK$425,404,000 (2014: HK$20,696,000), and the weighted average number of 2,123,060,548 (2014: 1,075,145,314) ordinary shares for the purpose of calculating the basic loss per share.

The weighted average number of ordinary shares for the years ended 31 December 2015 and 31 December 2014 for the purpose of calculating basic loss per share has been adjusted for (i) the consolidation of shares on the basis that every 5 issued and unissued shares being converted into one consolidated share which took place on 3 June 2014 and (ii) the open offer on the basis of two offer shares for every one share held on the record date which took place on 19 January 2015. Details of the share consolidation are set out in note 27 to the consolidated financial statements.

The calculations of basic and diluted loss per share are based on:

	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation:	**(425,404)**	(20,696)
Interest on convertible bonds	**10,452**	10,652
Loss attributable to owners of the Company before interest on convertible bonds	**(414,952)***	(10,044)*

	Number of Shares	
	2015	2014
		(Re-presented)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**2,123,060,548**	1,075,145,314
Effect of dilution-weighted average number of ordinary shares	**286,008,833**	155,572,046
	2,409,069,381*	1,230,717,360*

* *No adjustment has been made to the basic loss per share amount for the years ended 31 December 2015 and 31 December 2014 in respect of a dilution because the diluted loss per share amount is decreased when taking convertible bonds into account, so the convertible bonds had an anti-dilutive effect on the basic loss per share amount for the years ended 31 December 2015 and 31 December 2014, and were ignored in the calculation of diluted loss per share.*

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixture and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2014	33,397	5,946	7,801	3,688	50,832
Addition	1,378	–	76	–	1,454
Disposal	–	–	(39)	–	(39)
Write off	(1,689)	–	–	–	(1,689)
Exchange realignment	(875)	(160)	(191)	(6)	(1,232)
At 31 December 2014 and 1 January 2015	32,211	5,786	7,647	3,682	49,326
Addition	62	370	25	725	1,182
Write off	(15,892)	–	–	–	(15,892)
Exchange realignment	1,089	409	102	36	1,636
At 31 December 2015	17,470	6,565	7,774	4,443	36,252
Accumulated depreciation and impairment					
At 1 January 2014	9,733	2,202	2,679	2,074	16,688
Charge for the year	6,595	1,271	1,797	1,205	10,868
Write off	(1,689)	–	–	–	(1,689)
Eliminated upon disposal	–	–	(23)	–	(23)
Exchange realignment	(356)	(83)	(86)	(3)	(528)
At 31 December 2014 and 1 January 2015	14,283	3,390	4,367	3,276	25,316
Charge for the year	6,226	1,238	1,739	500	9,703
Write off	(12,443)	–	–	–	(12,443)
Exchange realignment	1,576	492	196	40	2,304
At 31 December 2015	9,642	5,120	6,302	3,816	24,880
Net carrying amounts					
At 31 December 2015	7,828	1,445	1,472	627	11,372
At 31 December 2014	17,928	2,396	3,280	406	24,010

The net carrying amount of the Group's property, plant and equipment held under finance leases is an amount attributable to motor vehicles amounting to approximately HK$Nil (2014: approximately HK$290,000).

13. GOODWILL

	HK$'000
Cost	
At 1 January 2014, 31 December 2014 and 31 December 2015	569,706
Impairment	
At 1 January 2014, 31 December 2014 and 1 January 2015	197,307
Impairment during the year	346,176
At 31 December 2015	543,483
Net carrying amount	
At 31 December 2015	26,223
At 31 December 2014	372,399

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the diamond and jewellery cash-generating unit for impairment testing.

Diamond and jewellery cash-generating unit

As at 31 December 2015, the recoverable amount of the diamond and jewellery cash-generating unit was assessed with reference to a valuation report by using a value-in-use calculation from Peak Vision Appraisals Limited, an independent valuation firm. These calculations use cash flow projection based on financial budgets approved by management covering a five-year period (the "5-Year Projection"). Cash flows beyond the five-year period are using estimated growth rate of 3% (2014: 8%). The cash flows are discounted using a discount rate of 21% (2014: 18%).

Due to unstable economic environment in the PRC, keen competition of the market and drop in demand for luxury jewellery products from PRC customers, the Group has postponed the expansion plan of opening further retail stores, and revised the 5-Year Projection in the current year, after taking into account the current operating environment and market condition. The key assumptions used in calculating the recoverable amount of the diamond and jewellery cash-generating unit were budgeted revenue, budgeted gross margin and discount rate. Management determined budgeted revenue and budgeted gross margin based on past performance and its expectations of the market development. The discount rate were pre-tax and reflected specific risks relating to the business.

As at 31 December 2015, the net carrying amount of goodwill allocated to the diamond and jewellery cash generating unit has been reduced to its recoverable amount of approximately HK$26,223,000 (2014: approximately HK$372,399,000).

14. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Finished goods	**250,260**	233,442

At 31 December 2015, inventories amounted to approximately HK$44,770,000 (2014: HK$Nil) were stated at net realisable value.

The analysis of the amount of inventories recognised as an expense and included in profit or loss as follow:

	2015	2014
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**68,238**	77,804
Impairment loss on inventories	**15,854**	–
	84,092	77,804

15. TRADE RECEIVABLES

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of impairment allowance, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**3**	381
31 to 60 days	**283**	–
61 to 90 days	**132**	–
Over 90 days	**291**	–
	709	381

The Group's sales of diamond and jewellery products are normally made on a cash basis. Credit card receivables from financial institutions in respect of such cash sales are aged within one month. For the Group's credit sales to wholesale customers and sale through department stores, the credit term is generally 60 to 90 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management of the Group. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2015, trade receivables amounting to approximately HK$291,000 (2014: approximately HK$381,000) were past due but not impaired as the balances related to debtors with sound repayment history and no recent history of default.

16. PROMISSORY NOTE RECEIVABLE

As at 31 December 2015, the promissory note receivable from the Purchaser of HK$17,600,000 (2014: HK$80,000,000) are related to the disposal of subsidiaries which were engaged in Healthcare Information Technology ("HIT") ("HIT Disposal") during the year ended 31 December 2013. Pursuant to the HIT Sales and Purchase Agreement, partial consideration of HK$80,000,000 was settled by a promissory note of HK$80,000,000 issued by the HIT Purchaser (the "Promissory Note").

The Promissory Note is secured by the shares of Wealthy China Group Limited and Champion Skill Holdings Limited and the loan due from the HIT Group of HK$149,000,000, and bears interest at a rate of 1% per annum. Promissory Note of HK$30,000,000 has matured on 27 March 2014, and the remaining balance of HK$50,000,000 has matured on 27 December 2014. As at 31 December 2013, an independent guarantee company established in the PRC has provided guarantee in favour of the Company for the payment of all sums payable under the Promissory Note.

The Company and the HIT Purchaser entered into the two supplemental agreements (the "Supplemental Agreements") on 27 March 2014 and 27 April 2014 respectively. Pursuant to the Supplemental Agreements, the repayment date of the Promissory Note of HK$30,000,000 was postponed to 27 April 2014 and then 27 July 2014 respectively, and the HIT Purchaser agreed to pay an additional interest at a rate of 2% per annum over the extended period to the Company as the compensation.

During the year ended 31 December 2015, HK$62,400,000 of the promissory note receivable was settled, and the remaining balance has been scheduled to be settled within six months in accordance with an supplemental agreement dated 20 March 2015. As at 31 December 2015, the Group has assessed the recoverability of the promissory note receivable past due and considered that there was no indicator of deterioration in the recoverability of the promissory note receivable and no allowance was considered necessary. The remaining balance of the promissory note receivable amounting to HK$17,600,000 has been subsequently settled after the end of the reporting period.

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015	2014
	HK$'000	*HK$'000*
Other receivables *(note a)*	**38,818**	47,891
Deposits paid	**6,779**	7,914
Deposits paid for acquisition of subsidiaries	**38,330**	–
Prepayments for inventories	**31,869**	75,689
Other prepayments	**788**	2,072
	116,584	133,566
Portion classified as non-current assets	**(41,469)**	(5,312)
	75,115	128,254

Note a: Balance of approximately HK$29,685,000 (2014: HK$39,504,000) was due from two (2014: one) companies. Subsequent to the end of reporting period, the balance of approximately HK$11,607,000 was settled by cash.

At 31 December 2015, other receivables of approximately HK$2,485,000 (2014: HK$Nil) were considered impaired and for which full provision of impairment has been made.

18. REFUNDABLE DEPOSITS FOR ACQUISITION OF INVESTMENTS

	2015	2014
	HK$'000	*HK$'000*
Refundable deposits paid for acquisition of investments ("Refundable Deposits")	**119,524**	–

During the year 2015, the Group entered into service agreements with two independent investment consultancy companies ("Consulting Companies") for the purposes of research and introduction of investment projects in Greater China and paid the total sum of RMB100,400,000 (equivalent to approximately HK$119,524,000). The Refundable Deposits were refundable on demand and secured by guarantee provided by an independent guarantee company established in the PRC. During the year, certain investment projects were introduced by the Consulting Companies and one of the projects was completed in January 2016 (Please refer to note 35(a) and (b)).

The directors of the Company considered that the fair value of the above Refundable Deposits which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

19. CASH AND CASH EQUIVALENTS

	2015	2014
	HK$'000	*HK$'000*
Cash and bank balances	**9,268**	1,226

As at 31 December 2015, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$425,000 (2014: approximately HK$486,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with banks with good credit rating and with no recent history of default.

20. TRADE PAYABLES

The average credit period on purchase of goods is 30 days. The following is an ageing analysis of trade payables based on the invoice date.

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**39**	1,920
31 to 60 days	**–**	370
61 to 90 days	**3**	729
91 to 180 days	**1,212**	5,472
Over 180 days	**8,813**	10,046
	10,067	18,537

21. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	2015	2014
	HK$'000	*HK$'000*
Receipt in advance *(note a)*	**14,824**	80,725
Deposits received *(note b)*	**64,898**	69,772
Provision of finance costs for deposits received *(note b)*	**2,644**	4,916
Other payables and accruals	**26,574**	24,190
	108,940	179,603

Notes:

(a) On 7 September 2012, the Company entered into a memorandum of understanding (the "Investment MOU") with Beijing Yong An Wealth Investment Fund Management Company Limited (the "Potential Investor"), an independent third party, in relation to the potential investment in the Group's diamond and jewellery business. Pursuant to the Investment MOU, the Potential Investor shall invest and/or procure other investors to invest a total of RMB300 million in the Group's diamond and jewellery business by setting up joint venture with the Company. Up to the date of approval of these financial statements, no legal binding agreements have been signed in relation to the above investment. As at 31 December 2015, approximately HK$14,824,000 (equivalent to RMB12,452,000) (2014: HK$80,725,000 (equivalent to RMB64,580,000)) was received in advance from the Potential Investor in relation to the above investment. The balance is secured, interest-free and repayable on demand. As at 31 December 2015 and 31 December 2014, a director of the Company and an independent guarantee company established in the PRC had provided guarantees in favour of the Potential Investor for this receipt in advance.

(b) Balance included approximately HK$56,280,000 (equivalent to approximately RMB47,275,000) (2014: approximately HK$65,586,000 (equivalent to approximately RMB52,469,000)) received from a number of independent third party customers (the "Customers") during the year ended 31 December 2015 and 2014 for the Group's sale of certain loose diamonds (the "Diamonds") in the PRC of approximately RMB47,275,000 (2014: approximately RMB52,469,000) via the online platform. Pursuant to the terms of these online transactions, the Customers, who have not yet taken delivery of the underlying loose diamonds from the Group, have the unconditional right to require the Group to repurchase the Diamonds at an agreed price, which is approximately 109% (2014: ranging from approximately 108% to 116%) of the original selling price, one week before the specified dates in April 2016, June 2016 or July 2016 (2014: April 2015, June 2015, August 2015 or October 2015). In the opinion of the directors of the Company, the significant risks and rewards of the ownership of the Diamonds have not been transferred to the Customers before the Group's delivery of the underlying goods. Accordingly, only approximately HK$66,000 of revenue (2014: HK$Nil) was recognised by the Group for these online transactions during the years ended 31 December 2015 and 2014, and the balance of the proceeds received is recorded as "Deposits received" and the premium on repurchase is recorded as "Provision of finance costs for deposits received" under current liabilities.

22. INTEREST-BEARING BANK BORROWINGS

	2015		2014	
	Effective interest rate *(%)*	***HK$'000***	Effective interest rate *(%)*	*HK$'000*
Current				
Finance lease payables *(note (f), note 23)*	**1.95%**	**504**	4.72%	585
Bank loans – secured *(note (a), (b), (c), (d) and (e))*	**5.66% to 7.2%**	**56,667**	6.72% to 7.5%	81,250
		57,171		81,835
Non-current				
Finance lease payables *(note (f), note 23)*		**–**		504
		57,171		82,339

	2015	2014
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable		
Within one year	**56,667**	81,250
Finance lease payables *(note 23)*:		
Within one year	**504**	585
In the second to fifth years	**–**	504
	504	1,089
	57,171	82,339

22. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

(a) As at 31 December 2015, the Group's bank loan of approximately HK$35,714,000 was supported by guarantee provided by two directors of the Company and a subsidiary of the Company.

(b) As at 31 December 2015, the Group's bank loan of approximately HK$4,286,000 was supported by guarantee provided by two directors of the Company, a subsidiary of the Company and an independent guarantee company established in the PRC.

(c) As at 31 December 2015, the Group's bank loan of approximately HK$16,667,000:

  (i) was supported by guarantee provided by the Company, a director of the Company and a related company of the Company, and

  (ii) was secured by a property situated in Mainland China and held by a spouse of a director of the Company.

(d) As at 31 December 2014, the Group's bank loan of approximately HK$25,000,000:

  (i) was secured by a property situated in Mainland China and held by a spouse of a director of the Company, and

  (ii) was supported by guarantee provided by an independent guarantee company established in the PRC.

(e) As at 31 December 2014, the Group's bank loan of approximately HK$56,250,000:

  (i) was secured by three properties situated in Mainland China and held by a spouse of a shareholder of the Company, a staff of a subsidiary and a spouse of a former shareholder of a subsidiary, and

  (ii) was supported by guarantees provided by a director of the Company, a senior management personnel of a subsidiary, a subsidiary of the Company and an independent guarantee company established in the PRC.

(f) As at 31 December 2015 and 31 December 2014, the finance lease payables were secured by the Group's motor vehicle *(note 12)*.

As at 31 December 2015, except for the bank loans of approximately HK$56,667,000 (2014: approximately HK$81,250,000), which were denominated in RMB, all borrowings were denominated in Hong Kong dollars.

23. FINANCE LEASE PAYABLES

The Group leases a motor vehicle under a finance lease for its business operation *(note 12)*.

At 31 December 2015, the total future minimum lease payments under finance lease and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**512**	615	**504**	585
In the second to fifth years	**–**	512	**–**	504
Total minimum finance lease payments	**512**	1,127	**504**	1,089
Future finance charges	**(8)**	(38)		
Total net finance lease payables	**504**	1,089		
Portion classified as current liabilities *(note 22)*	**(504)**	(585)		
Non-current portion *(note 22)*	**–**	504		

At 31 December 2015 and 31 December 2014, the finance lease payables were secured by the Group's motor vehicle *(note 12)*.

24. AMOUNTS DUE TO DIRECTORS

Amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

25. CONVERTIBLE BONDS

On 8 January 2009, the Group issued convertible bonds with an aggregate principal amount of HK$465,000,000 ("CB I") due in 2014 with a conversion price of HK$0.04 per share (adjusted to HK$0.4 per share with effect from 26 March 2013 as a result of share consolidation) to acquire 100% equity interests in Super Surplus Trading Limited. CB I did not bear any interest. The effective interest rate of the liability component is 3.44% per annum. The maturity date was on the fifth anniversary of the date of issue of CB I.

For the year ended 31 December 2014, balance of the CB I was fully converted into the Company's ordinary shares of HK$0.1 each at a conversion price of HK$0.4.

On 19 April 2012, the Group issued convertible bonds with an aggregate principal amount of HK$100,000,000 ("CB II") due in 2017 with a conversion price of HK$0.049 per share (adjusted to HK$0.49 per share with effect from 26 March 2013 and further adjusted to HK$2.45 with effect from 3 June 2014 as a result of the share consolidation as further explained in note 27(e)). Part of the proceeds raised of HK$80,000,000 were used to finance the acquisition of 100% equity interest in Million Zone Holdings Limited and its subsidiaries and the remaining proceeds raised of HK$20,000,000 were used for the Group's general working capital. CB II do not bear any interest. The effective interest rate of the liability component is 4.91% per annum. The maturity date is on the fifth anniversary of the date of issue of CB II.

For the year ended 31 December 2015, CB II with an aggregate principal amount of HK$50,000,000 were fully redeemed.

On 22 January 2014, the Group issued convertible bonds with an aggregate principal amount of HK$312,000,000 due in 2019 with conversion price of HK$0.049 per share ("CB III") (adjusted to HK$0.49 per share with effect from 26 March 2013 and further adjusted to HK$2.45 with effect from 3 June 2014 as a results of the share consolidation as further explained in note 27(e)) to settle the Group's contingent consideration payable. The CB III do not bear any interest. The effective interest rate of the liability component is 7.92% per annum. The maturity date is on the fifth anniversary of the date of issue of CB III.

For the year ended 31 December 2015, CB III with an aggregate principal amount of HK$93,600,000 were redeemed. For the year ended 31 December 2014, CB III with an principal amount of HK$163,800,000 were converted into ordinary shares.

As at 31 December 2015, CB III with an aggregate principal amount of HK$54,600,000 remained outstanding (2014: HK$148,200,000).

25. CONVERTIBLE BONDS (continued)

On 26 May 2015, the Group issued convertible bonds with an aggregate principal amount of HK$120,000,000 due in 2017 with conversion price of HK$0.25 per share ("CB IV"). CB IV do not bear any interest. The effective interest rate of the liability component is 12.87% per annum. The maturity date is on the second anniversary of the date of issue of CB IV.

As at 31 December 2015, CB IV with an aggregate principal amount of HK$120,000,000 remained outstanding.

The Group may redeem CB I, CB II, CB III and CB IV at 105% of the principal outstanding amount at any time from the date of issue to the maturity date.

During the year ended 31 December 2015, the fair value of the liability component upon initial recognition of the CB IV at the issue date was estimated based on the valuations performed by Peak Vision Appraisals Limited, an independent valuation firm. The residual amount was assigned as the equity component and was included in the convertible bonds equity reserve.

The various components of the Group's convertible bonds recognised on initial recognition are as follows:

	CB I	**CB II**	**CB III**	**CB IV**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Proceeds of issue, at fair value	465,000	100,000	236,376	120,000	921,376
Equity component	(52,898)	(18,252)	(12,554)	(21,096)	(104,800)
Liability component at date of issue	412,102	81,748	223,822	98,904	816,576

25. CONVERTIBLE BONDS (continued)

The movements of the liability component of the Group's convertible bonds are as follows:

	CB I	CB II	CB III	CB IV	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	71,565	44,927	–	–	116,492
Issued during the year	–	–	223,822	–	223,822
Interest charged during the year	8	2,206	8,438	–	10,652
Conversion of convertible bonds *(note 27(a) and (c))*	(71,573)	–	(118,258)	–	(189,831)
At 31 December 2014 and 1 January 2015	–	47,133	114,002	–	161,135
Issued during the year	–	–	–	98,904	98,904
Interest charged during the year	–	189	4,091	6,172	10,452
Redeemed during the year	–	(47,322)	(72,771)	–	(120,093)
At 31 December 2015					
Classified as current liabilities	–	–	–	–	–
Non-current liabilities	–	–	45,322	105,076	150,398
At 31 December 2014	–	47,133	114,002	–	161,135
Classified as current liabilities	–	–	–	–	–
Non-current liabilities	–	47,133	114,002	–	161,135

26. DEFERRED TAX ASSET

The movements in deferred tax asset of the Group during the year ended 31 December 2015 were as follows:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**674**	691
Exchange realignment	**(32)**	(17)
At 31 December	**642**	674

26. DEFERRED TAX ASSET (continued)

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is imposed on dividends in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. A lower withholding tax rate may be applied if there is a tax treaty between PRC and jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%.

At 31 December 2015, no deferred tax (2014: Nil) has been recognised for withholding tax that would be payable on the unremitted earnings of the Group's subsidiaries established in PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future after their assessment based on the factors which included the dividend policy and the level of capital and working capital required for the Group's operation.

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

27. SHARE CAPITAL

	2015 ***HK$'000***	2014 *HK$'000*
Authorised:		
100,000,000,000 (2014: 100,000,000,000) ordinary shares of HK$0.005 (2014: HK$0.005) each	**500,000**	500,000
Issued and fully paid:		
2,393,006,528 (2014: 623,202,176) ordinary shares of HK$0.005 (2014: HK$0.005) each	**11,965**	3,116

27. SHARE CAPITAL (continued)

A summary of the movements in the Company's issued share capital is as follow:–

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2014		2,214,317,006	221,432	1,311,243	1,532,675
Conversion of convertible bonds	(a)	170,408,163	17,041	62,286	79,327
Capital reorganisation	(b)	–	(236,088)	–	(236,088)
Conversion of convertible bonds	(c)	334,285,713	334	124,515	124,849
Placement of new shares	(d)	397,000,000	397	38,230	38,627
Consolidation of shares	(e)	(2,492,808,706)	–	–	–
		(1,591,114,830)	(218,316)	225,031	6,715
Share issue expenses		–	–	(4,595)	(4,595)
At 31 December 2014 and 1 January 2015		623,202,176	3,116	1,531,679	1,534,795
Issue of shares under the Open Offer	(f)	1,246,404,352	6,232	118,408	124,640
Placement of new shares	(g)	523,400,000	2,617	133,221	135,838
		1,769,804,352	8,849	251,629	260,478
Share issue expenses		–	–	(9,970)	(9,970)
At 31 December 2015		**2,393,006,528**	**11,965**	**1,773,338**	**1,785,303**

Notes:

(a) During the year ended 31 December 2014, prior to the Capital Reorganisation (as defined in note (b) below) and Share Consolidation 2014 (as defined in note (e) below), the Company issued a total 170,408,163 ordinary shares of HK$0.1 each at conversion price of HK$0.4 for fully conversion of the CB I with principal amount of HK$68,163,000. Upon conversion, the liability component of HK$71,573,000 and equity component of HK$7,754,000 of the convertible notes were transferred to the issued capital of HK$17,041,000 and the share premium amount of HK$62,286,000.

27. SHARE CAPITAL (continued)

Notes: (continued)

(b) On 4 September 2013, a special resolution in respect of a capital reorganisation of the Company (the "Capital Reorganisation") was approved by the shareholders of the Company. The Capital Reorganisation would involve (i) a reduction in par value of each issued share of the Company from HK$0.1 to HK$0.001, and (ii) a subdivision of each authorised of each authorised but unissued share of the Company into 100 new shares of the Company of HK$0.001 each. The purpose of the Capital Reorganisation is to reduce the credit standing to the issued capital account of the Company and to apply the credit arising from such reduction to eliminate the accumulated losses of the Company by the same account. Details of the Capital Reorganisation are set out in the Company's announcement dated 30 July 2013 and circular dated 12 August 2013.

On 14 January 2014, the Court made an order confirming the Capital Reorganisation. An office copy of the Order was registered with the Registrar of the Companies on 17 January 2014 in accordance with Section 61 of the Hong Kong Companies Ordinance (Cap.32). Accordingly, the Capital Organisation became effective immediately following the registration of the Order of the Court and the accumulated losses of the Company of approximately HK$236,088,000 were eliminated against the Company's issued capital account.

(c) During the year ended 31 December 2014, after the Capital Reorganisation (as defined in note (b) above) and Share Consolidation 2014 (as defined in note (e) below), the Company issued a total 334,285,713 ordinary shares of HK$0.001 each at conversion price of HK$0.49 for partial conversion of the CB III with principal amount of HK$163,800,000. Upon conversion, the liability component of HK$118,258,000 and equity component of HK$6,591,000 of the convertible notes were transferred to the issued capital of HK$334,000 and the share premium amount of HK$124,515,000.

(d) On 15 January 2014, the Company entered into a placing agreement with a placing agent pursuant to which the Company has agreed to place up to 80,000,000 new ordinary shares of the Company of HK$0.1 each through the placing agent at HK$0.103 per share.

On 22 January 2014, 80,000,000 ordinary shares of HK$0.001 each (the par value of ordinary share was reduced from HK$0.1 to HK$0.001 after the Capital Reorganisation (as defined in note (b) above)) were issued for cash at HK$0.103 per share pursuant to the placing agreement dated 15 January 2014 for a total cash consideration, before related expenses, of HK$8,240,000.

On 26 February 2014, Glorywide Group Limited ("Glorywide") a shareholder of the Company, entered into a placing agreement with the Company and a placing agent, pursuant to which Glorywide has agreed to place up to 30,000,000 existing ordinary shares of the Company of HK$0.001 each through the placing agent to certain independent third parties at HK$0.103 per share. On 26 February 2014, Glorywide entered into a subscription agreement with the Company, pursuant to which Glorywide has agreed to subscribe for the number of new ordinary shares of the Company of HK$0.001 each as is equal to the number of the shares successfully placed by the placing agent in relation to the placing agreement dated 26 February 2014, at the subscription price of HK$0.103 per share.

On 10 March 2014, 30,000,000 ordinary shares of HK$0.001 each were issued to Glorywide for cash at a subscription price of HK$0.103 per share pursuant to the subscription agreement dated 26 February 2014 for a total cash consideration, before related expenses, of approximately HK$3,090,000.

On 4 March 2014, Glorywide entered into a placing agreement with the Company and a placing agent, pursuant to which Glorywide has agreed to place up to 50,000,000 existing ordinary shares of the Company of HK$0.001 each through the placing agent to certain independent third parties at HK$0.103 per share. On 4 March 2014, Glorywide entered into a subscription agreement with the Company, pursuant to which Glorywide has agreed to subscribe for the number of new ordinary shares of the Company of HK$0.001 each as is equal to the number of the shares successfully placed by the placing agent in relation to the placing agreement dated 4 March 2014, at the subscription price of HK$0.103 per share.

On 12 March 2014, 50,000,000 ordinary shares of HK$0.001 each were issued to Glorywide for cash at a subscription price of HK$0.103 per share pursuant to the subscription agreement dated 4 March 2014 for a total cash consideration, before related expenses, of approximately HK$5,150,000.

On 4 April 2014, Glorywide entered into a placing agreement with the Company and a placing agent, pursuant to which Glorywide has agreed to place up to 20,000,000 existing ordinary shares of the Company of HK$0.001 each through the placing agent to certain independent third parties at HK$0.096 per share. On 4 April 2014, Glorywide entered into a subscription agreement with the Company, pursuant to which Glorywide has agreed to subscribe for the number of new ordinary shares of the Company of HK$0.001 each as is equal to the number of the shares successfully placed by the placing agent in relation to the placing agreement dated 4 April 2014, at the subscription price of HK$0.096 per share.

On 14 April 2014, 20,000,000 ordinary shares of HK$0.001 each were issued to Glorywide for cash at a subscription price of HK$0.096 per share pursuant to the subscription agreement dated 14 April 2014 for a total cash consideration, before related expenses, of approximately HK$1,920,000.

27. SHARE CAPITAL (continued)

Notes: (continued)

(d) (continued)

On 9 April 2014, Glorywide entered into a placing agreement with the Company and a placing agent, pursuant to which Glorywide has agreed to place up to 30,000,000 existing ordinary shares of the Company of HK$0.001 each through the placing agent to certain independent third parties at HK$0.10 per share. On 9 April 2014, Glorywide entered into a subscription agreement with the Company, pursuant to which Glorywide has agreed to subscribe for the number of new ordinary shares of the Company of HK$0.001 each as is equal to the number of the shares placed by the placing agent in relation to the placing agreement dated 9 April 2014, at the subscription price of HK$0.10 per share.

On 17 April 2014, 30,000,000 ordinary shares of HK$0.001 each were issued to Glorywide for cash at a subscription price of HK$0.10 per share pursuant to the subscription agreement dated 17 April 2014 for a total cash consideration, before related expenses, of approximately HK$3,000,000.

On 11 April 2014, Glorywide entered into a placing agreement with the Company and a placing agent, pursuant to which Glorywide has agreed to place up to 187,000,000 existing ordinary shares of the Company of HK$0.001 each through the placing agent to certain independent third parties at HK$0.09 per share. On 11 April 2014, Glorywide entered into a subscription agreement with the Company, pursuant to which Glorywide has agreed to subscribe for the number of new ordinary shares of the Company of HK$0.001 each as is equal to the number of the shares placed by the placing agent in relation to the placing agreement dated 11 April 2014, at the subscription price of HK$0.09 per share.

On 23 April 2014, 187,000,000 ordinary shares of HK$0.001 each were issued to Glorywide for cash at a subscription price of HK$0.09 per share pursuant to the subscription agreement dated 23 April 2014 for a total cash consideration, before related expenses, of approximately HK16,830,000.

(e) With effect from 3 June 2014, the Company has every existing 5 issued and unissued shares of HK$0.001 each consolidated into 1 consolidated share of HK$0.005 each (the "Share Consolidation 2014"). Upon the Share Consolidation 2014 became effective, the authorised share capital of the Company became HK$500,000,000 dividend into 100,000,000,000 ordinary shares of HK$0.005 each. Based on a total of 3,116,010,342 ordinary shares of HK$0.001 each in issue immediately prior to the Share Consolidation 2014, the issued and fully paid share capital of the Company became approximately HK$3,116,000 dividend into 623,202,176 ordinary shares of HK$0.005 each.

(f) On 27 October 2014, the Company announced that it proposed to raise approximately HK$124.6 million before expenses by issuing 1,246,404,352 Offer Shares by way of the Open Offer at the subscription price of HK$0.10 per Offer Share on the basis of two Offer Shares for every one Share held on the record date (the "Open Offer"). On 27 October 2014, the Company entered into underwriting agreement with the underwriter (the "Underwriter"), pursuant to which the Open Offer was fully underwritten by the Underwriter.

On 19 January 2015, upon the completion of the Open Offer, the Company issued a total of 1,246,404,352 new ordinary shares of HK$0.005 each at a subscription price of HK$0.10 for a total consideration, before related expenses, of approximately HK$124.6 million. Details and results of the Open Offer were set out in the Company's announcements dated 27 October 2014 and 16 January 2015 and prospectus dated 23 December 2014.

(g) On 3 February 2015, the Company entered into a placing agreement with a placing agent pursuant to which the Company has agreed to place up to 124,600,000 new ordinary shares of the Company of HK$0.005 each through the placing agent at HK$0.13 per share.

On 16 February 2015, 124,600,000 ordinary shares of HK$0.005 each were issued for cash at HK$0.13 per share pursuant to the placing agreement dated 3 February 2015 for a total cash consideration, before related expenses, of HK$16,198,000.

On 2 June 2015, the Company entered into a placing agreement with a placing agent pursuant to which the Company has agreed to place up to 398,800,000 new ordinary shares of the Company of HK$0.005 each through the placing agent at HK$0.30 per share.

On 22 June 2015, 398,800,000 ordinary shares of HK$0.005 each were issued for cash at HK$0.30 per share pursuant to the placing agreement dated 2 June 2015 for a total cash consideration, before related expenses, of HK$119,640,000.

All the shares issued rank pari passu with the existing ordinary shares of the Company in all respects.

28. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultant, advisor, manager or officer who provides research, development, other technological support or services to the Group, the Company's shareholders, and any non-controlling shareholder of the Company's subsidiaries. The Scheme became effective on 10 August 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the scheme, if earlier.

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

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

During the years ended 31 December 2015 and 2014, no share option was granted under the share option scheme and no share option was lapsed or cancelled.

29. OPERATING LEASE ARRANGEMENTS

The Group leases certain properties under operating lease arrangements, with leases negotiated for terms ranging from one to six years.

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

	2015	2014
	HK$'000	*HK$'000*
Within one year	**6,177**	17,239
In the second to fifth years, inclusive	**10,488**	22,102
	16,665	39,341

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following capital commitments as at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Contracted but not provided for:		
Purchase of property, plant and equipment	**205**	–

31. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties:

(i)

	2015	2014
	HK$'000	*HK$'000*
Advertising expenses	**24,087**	–

Note:

For the year ended 31 December 2015, the Group paid advertising expenses for designing and displaying advertisement services rendered by a related company, where a director of the Company is a shareholder in this company.

(ii) As at 31 December 2015, a director of the Company, a related company and the Company have provided guarantees for a subsidiary of the Group's bank loan amounting to HK$16,666,667 (equivalent to RMB14,000,000) (2014: HK$Nil) granted to the Group.

(b) Outstanding balances with related parties:

The Group's balances with directors of the Company as at the end of the reporting period are unsecured, interest-free and have no fixed term of repayment.

(c) Compensation of key management personnel of the Group:

	2015	2014
	HK$'000	*HK$'000*
Short term employee benefits	**1,460**	4,883
Post-employment benefits	**4**	17
	1,464	4,900

32. 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:

2015

Financial assets	**Loans and receivables** ***HK$'000***
Trade receivables	**709**
Promissory note receivable	**17,600**
Refundable deposits for acquisition of investments	**119,524**
Financial assets included in other receivables, deposits and prepayments	**83,927**
Cash and cash equivalents	**9,268**
	231,028

Financial liabilities	**Financial liabilities at amortised cost** ***HK$'000***
Trade payables	**10,067**
Financial liabilities included in accruals, other payables and deposits received	**108,940**
Interest-bearing bank borrowings	**57,171**
Amounts due to directors	**6,113**
Convertible bonds	**150,398**
	332,689

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2014

Financial assets	Loans and receivables *HK$'000*
Trade receivables	381
Promissory note receivable	80,000
Financial assets included in other receivables, deposits and prepayments	55,805
Cash and cash equivalents	1,226
	137,412

Financial liabilities	Financial liabilities at amortised cost *HK$'000*
Trade payables	18,537
Financial liabilities included in accruals, other payables and deposits received	179,603
Interest-bearing bank borrowings	82,339
Amounts due to directors	11,748
Convertible bonds	161,135
	453,362

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated their fair values largely due to the short term maturities of these instruments.

Fair value hierarchy

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

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

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, convertible bonds and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, promissory note receivable, refundable deposits for acquisition of investments, other receivables and deposits, trade payables, accruals and other payables, amounts due to directors, which arise directly from its operations.

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates. The contractual interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are set out in note 22 to the consolidated financial statements.

A reasonably possible change of 100 basis points in interest rates would have no material impact on the Group's loss before tax during the years ended 31 December 2015 and 31 December 2014 and there would be no material impact on the Group's equity (excluding accumulated losses).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Foreign currency risk is the risk of losses due to advance movements in foreign exchange rates relating to investments dominated in foreign currencies. The Group has transactional currency exposures. Such exposures arise from sales and purchase by operating units in currencies other than the units' functional currencies. For Hong Kong operations, all sales and purchases transactions are settled in Hong Kong dollars or United States dollars. Meanwhile, most of the sales and purchases transactions in Mainland China operations are settled in RMB. Accordingly, the transactional currency exposures of the Group are not significant. The Group has not entered into any hedging transaction to reduce the Group's exposure to foreign currency in this regard.

A reasonably possible appreciation of 5% (2014: 5%) of the exchange rate of the Hong Kong dollar against RMB would have no significant effect on the Group's loss before tax for the year ended 31 December 2015 and 31 December 2014 and there would be no material impact on the Group's equity.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are mentioned on an ongoing basis.

Since the Group trades only with recognised and creditworthy third parties, there is generally no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposit, financial assets at fair value through profit or loss, an amount due from a related company and other receivables and deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it has no significant concentration of credit risk by single debtor.

Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interesting-bearing bank borrowings to meet its working capital and capital expenditure requirements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

	2015		
	On demand or less than 12 months *HK$'000*	**1 to 5 years** *HK$'000*	**Total** *HK$'000*
Trade payables	**10,067**	**–**	**10,067**
Financial liabilities included in accruals, other payables and deposits received	**108,940**	**–**	**108,940**
Interest-bearing bank borrowings	**57,171**	**–**	**57,171**
Amounts due to directors	**6,113**	**–**	**6,113**
Convertible bonds	**–**	**174,600**	**174,600**
	182,291	**174,600**	**356,891**

	2014		
	On demand or less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Total *HK$'000*
Trade payables	18,537	–	18,537
Financial liabilities included in accruals, other payables and deposits received	179,603	–	179,603
Interest-bearing bank borrowings	81,835	504	82,339
Amounts due to directors	11,748	–	11,748
Convertible bonds	–	198,200	198,200
	291,723	198,704	490,427

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issues new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt dividend by total assets. Net debt comprises all trade payables, accruals, other payables and deposits received, interest-bearing bank borrowings, amounts due to directors, convertible bonds less cash and cash equivalents. The total assets comprises non-current assets and current assets stated in the consolidated statement of financial position.

The Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its business. The gearing ratios of the Group as at the end of the reporting periods were as follows:

	2015 ***HK$'000***	2014 *HK$'000*
Trade payables	**10,067**	18,537
Accruals, other payables and deposits received	**108,940**	179,603
Interest-bearing bank borrowings	**57,171**	82,339
Amounts due to directors	**6,113**	11,748
Convertible bonds	**150,398**	161,135
Less: Cash and cash equivalent	**(9,268)**	(1,226)
Net debt	**323,421**	452,136
Total assets	**552,182**	845,698
Gearing ratio	**59%**	53%

35. EVENTS AFTER THE REPORTING PERIOD

(a) On 28 October 2015, the Company entered into the share agreement with New League Limited (the "Vendor") pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of Maxpark Enterprises Limited and its subsidiaries from the Vendor at a consideration of HK$250 million which is to be satisfied as to HK$50 million in cash and HK$200 million by issue of convertible bonds.

On 28 October 2015, the Company entered into the inventory agreement with Mr. Benson Li ("Mr. Li") pursuant to which the Company has conditionally agreed to acquire from Mr. Li the inventories at the consideration of HK$100 million to be satisfied in cash.

The share agreement and the inventory agreement transactions have been completed on 25 January 2016.

(b) On 19 January 2016, the Company entered into a subscription agreement and has agreed to issue a convertible bonds in the principal amount of HK$25 million due in 2016 with conversion price of HK$0.42 per share (the "CB V"). The Company intends to raise funds for its future business development. The CB V do not bear any interest. The maturity date is on the six months from the date of issue of the CB V.

On 25 January 2016, the issue of CB V has been completed.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered paid-up capital	Percentage of equity attributable to the Company 2015	2014	Principal activities
Directly held:					
Ample Rich Capital Limited*	BVI/Hong Kong	US$1	**100**	100	Investment holding
Forever Wise Developments Limited*	BVI/Hong Kong	US$1	**100**	100	Investment holding
Indirectly held:					
Great Rise Limited	Hong Kong	HK$1	**100**	100	Investment holding and sale of diamond products
Beijing City-In-Love Market Limited*	PRC/Mainland China	RMB20,000,000 *(note a)*	**100**	100	Sale of diamond and jewellery products
Chengdu City-In-Love Market Limited*	PRC/Mainland China	RMB200,000 *(note a)*	**100**	100	Sale of diamond and jewellery products
Sky Topworld Limited	Hong Kong	HK$1	**100**	100	Holding of a motor vehicle

Note a: These entities are registered as private companies with limited liability under the PRC law.

* *The statutory financial statements of these subsidiaries are not audited by HLM CPA Limited.*

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2015 **HK$'000**	2014 HK$'000
Non-current assets		
Property, plant and equipment	**482**	628
Deposits and prepayments	**38,736**	389
Investment in subsidiaries *(Note a)*	**278,912**	450,857
	318,130	451,874
Current assets		
Promissory note receivables	**17,600**	80,000
Deposits and other receivables	**2,746**	2,817
Cash and cash equivalents	**8,820**	721
	29,166	83,538
Current liabilities		
Accrual, other payables and deposits received	**3,579**	4,771
Amounts due to directors	**5,098**	11,747
Interest-bearing bank borrowings	**504**	585
	9,181	17,103
Net current assets	**19,985**	66,435
Total assets less current liabilities	**338,115**	518,309
Non-current liabilities		
Interest-bearing bank borrowings	**–**	504
Convertible bonds	**150,398**	161,135
	150,398	161,639
Total assets less liabilities	**187,717**	356,670
Equity		
Issued capital	**11,965**	3,116
Reserves *(Note b)*	**175,752**	353,554
Total equity	**187,717**	356,670

Mr. Cheng Chun Tak
Director

Mr. Wan Zihong
Director

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(continued)

Note a: Investment in subsidiaries

	2015	2014
	HK$'000	*HK$'000*
Unlisted shares, at cost	**582,211**	582,211
Amounts due from subsidiaries	**274,408**	53,099
Amounts due to subsidiaries	**(2,646)**	(3,038)
	853,973	632,272
Provision for impairment	**(575,061)**	(181,415)
	278,912	450,857

Movements in the provision for impairment are as follows:

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**181,415**	181,415
Provision for impairment	**393,646**	–
At 31 December	**575,061**	181,415

Balances with subsidiaries are unsecured, interest-free and not expected to be settled within the next twelve months from the end of the reporting period.

Note b: Movement of the reserves of the Company is as follows:

	Share premium account	**Convertible bonds equity reserve**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014	1,311,243	16,443	(1,410,596)	(82,910)
Issue of shares	225,031	(14,345)	–	210,686
Issue of convertible bonds	–	12,554	–	12,554
Share issue expenses	(4,595)	–	–	(4,595)
Capital reorganisation	–	–	236,088	236,088
Loss and total comprehensive expense for the year	–	–	(18,269)	(18,269)
At 31 December 2014 and 1 January 2015	1,531,679	14,652	(1,192,777)	353,554
Issue of shares	251,629	–	–	251,629
Share issue expenses	(9,970)	–	–	(9,970)
Issue of convertible bonds	–	21,096	–	21,096
Eliminated upon redemption of convertible bonds	–	(12,454)	12,454	–
Loss and total comprehensive expense for the year	–	–	(440,557)	(440,557)
At 31 December 2015	**1,773,338**	**23,294**	**(1,620,880)**	**175,752**

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

FINANCIAL SUMMARY

31 December 2015

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**127,037**	146,188	291,771	235,729	242,448
Profit/(loss) before tax	**(423,493)**	(18,168)	(195,124)	23,556	(261,176)
Income tax expense	**(1,911)**	(2,528)	(13,434)	(8,338)	–
Profit/(loss) for the year from continuing operations	**(425,404)**	(20,696)	(208,558)	15,218	(261,176)
Profit/(loss) before tax from discontinued operations	**–**	–	25,809	(785,925)	–
Income tax expense	**–**	–	–	(4,533)	–
Profit/(loss) for the year from discontinued operations	**–**	–	25,809	(790,458)	–
Profit/(loss) for the year	**(425,404)**	(20,696)	(182,749)	(775,240)	(261,176)
Attributable to:					
Owners of the Company	**(425,404)**	(20,696)	(182,804)	(748,372)	(256,611)
Non-controlling interests	**–**	–	55	(26,868)	(4,565)
	(425,404)	(20,696)	(182,749)	(775,240)	(261,176)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**552,182**	845,698	827,448	967,421	1,016,701
TOTAL LIABILITIES	**(338,293)**	(462,612)	(654,067)	(809,359)	(316,266)
NON-CONTROLLING INTERESTS	**–**	–	–	1,644	(24,881)
NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY	**213,889**	383,086	173,381	159,706	675,554