偉祿集團控股有限公司
# REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 1196

# 2015
## ANNUAL REPORT

# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Executive Directors**

Lin Xiaohui *(Chairman)*
Su Jiaohua *(Chief Executive Officer)*
Lin Xiaodong

**Independent Non-executive Directors**

Yu Leung Fai
Fang Jixin
Li Jue

## AUDIT COMMITTEE

Yu Leung Fai *(Chairman)*
Fang Jixin
Li Jue

## REMUNERATION COMMITTEE

Li Jue *(Chairman)*
Lin Xiaohui
Yu Leung Fai

## NOMINATION COMMITTEE

Lin Xiaohui *(Chairman)*
Yu Leung Fai
Fang Jixin

## COMPANY SECRETARY

Tsang Chin Pang

## LEGAL ADVISER

Michael Li & Co.

## INDEPENDENT AUDITORS

Ernst & Young
22th Floor CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
China Merchants Bank

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFJ Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## STOCK CODE

1196

## COMPANY WEBSITE

http://www.realord.com.hk

# FIVE YEAR FINANCIAL HIGHLIGHTS

## Results

| | Year ended 31 December | | Period from 1 April to 31 December | Year ended 31 March | | |
|---|---|---|---|---|---|---|
| | **2015** | 2014 | 2014 | 2014 | 2013 | 2012 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | **(Audited)** | (Unaudited) | (Audited) | (Represented)[1] | (Represented)[1] | (Represented)[1] |
| **Revenue** | **202,018** | 105,761 | 89,184 | 80,076 | 82,020 | 87,933 |
| **Profit/(Loss) from operations** | **50,036** | (6,380) | 3,286 | (6,570) | 5,652 | (15,527) |
| Finance costs | **(1,690)** | (156) | (101) | (177) | (132) | (63) |
| Share of loss of associates | **–** | – | – | – | – | (56) |
| **Profit/(Loss) before income tax** | **48,346** | (6,536) | 3,185 | (6,747) | 5,520 | (15,646) |
| Income tax expense | **(15,707)** | (10,637) | (6,258) | (5,285) | (2,853) | (3,046) |
| **Profit/(Loss) for the year/period from continuing operations** | **32,639** | (17,173) | (3,073) | (12,032) | 2,667 | (18,692) |
| **(Loss)/Profit for the year/period from discontinued operations** | **–** | (21,411) | (3,743) | (412) | 15,146 | 6,628 |
| **Profit/(Loss) for the year/period** | **32,639** | (38,584) | (6,816) | (12,444) | 17,813 | (12,064) |

## Assets and Liabilities

| | As at 31 December | | As at 31 March | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2014 | 2013 | 2012 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | **(Audited)** | (Audited) | (Audited) | (Restated)[2] | (Restated)[2] |
| Property, plant and equipment | **86,764** | 9,820 | 140,761 | 180,674 | 169,826 |
| Investment properties | **552,900** | 135,730 | 123,040 | 104,260 | 86,570 |
| Prepaid lease payments | **–** | – | 2,644 | 2,727 | 2,810 |
| Goodwill | **2,100** | – | – | – | – |
| Other intangible asset | **4,400** | – | – | – | – |
| Other assets | **–** | – | 1,100 | 1,100 | – |
| Finance lease receivables | **6,546** | – | – | – | – |
| Available-for-sale investments | **13,844** | 7,344 | – | – | – |
| Deferred tax assets | **31** | 137 | 590 | 251 | 233 |
| Prepayments and deposits | **13,878** | – | – | 11,098 | – |
| Current assets | **456,574** | 331,834 | 379,011 | 378,998 | 402,713 |
| Total assets | **1,137,037** | 484,865 | 647,146 | 679,108 | 662,152 |
| Current liabilities | **49,725** | 20,462 | 112,754 | 92,545 | 98,835 |
| Interest-bearing bank borrowings | **186,825** | 100,000 | 13,618 | 24,504 | 29,117 |
| Deferred tax liabilities | **46,075** | 32,939 | 34,980 | 39,368 | 33,797 |
| Total liabilities | **282,625** | 153,401 | 161,352 | 156,417 | 161,749 |
| Net assets | **854,412** | 331,464 | 485,794 | 522,691 | 500,403 |

1 The figures were represented upon the reclassification of discontinued operations resulting from the disposal of Brilliant Stage Holdings Limited.

2 The figures were restated upon the adoption of the new and revised Hong Kong Financial Reporting Standards.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to report the first full-year financial results of the Group since our change of financial year end date from 31 March to 31 December in 2014.

## RESULTS

During the year under review, the Group recorded total revenue of approximately HK$202.0 million and profit attributable to equity holders of approximately HK$32.4 million. Basic earning per share was HK3.04 cents, based on the weighted average of 1,065,247,836 shares in issue during the year. The improvement of the results of the Group was mainly attributable to the fair value gains on investment properties for the year of approximately HK$90 million.

## DIVIDENDS

The Directors do not recommend the payment of final dividend (2014: Nil) for the year ended 31 December 2015. No interim dividend (2014: Nil) nor special dividend (2014: HK$0.5 per share) has been recommended for the year. Total dividend for the year is nil (2014: HK$0.5 per share).

## OUTLOOK

The operating environment of the commercial printing and hangtag businesses will continue to be competitive in the coming years. The Group shall strengthen its business development team to achieve sales growth and increase market share, however, the intense competition in the commercial printing business shall limit the Group to pass the inflating operating cost to customers. Due to the slowdown of economic growth, the operating environment of Hangtag Business is even more challenging and we foresee that customers' demand of hangtags labels, shirt paper boards and plastic bags would remain sluggish.

The Group is in the process to set up the PRC operations of Motor Vehicle Parts Business in Guangzhou. We expect that the PRC operations will effectively contribute to the business expansion of the sales and distribution of motor vehicle parts business. Besides, the Group is sourcing different brands of motor vehicle parts suppliers in order to broaden the variety of products offered to our customers.

The e-commerce development in China is full of challenges and opportunities. The Group is in the process to develop the business-to-customer (B2C) e-commerce platform which involve the evaluation of the knit point between the e-commerce and traditional economy. The development is an ongoing process and through the strategic cooperation with Zhongxing Supply Chain, we believe that the cooperation will allow us to take advantage of each other's business platforms and procurement network, thereby enhancing customers' value by providing high quality products and services, highly efficient supply chain integrated services and lowering relevant costs to customers.

During the year, we started to develop the Financial Services Business, which would provide financial services including securities brokerage, margin financing, money lending and financial leasing services. The stock market was highly volatile in 2015 and was exceptionally challenging to us. We believe the upcoming launch of the Shenzhen-Hong Kong Stock Connect Scheme will stimulate the stock market. With the preferential government policies in Qianhai, we also expect there are huge of potential business opportunities for our development of financial leasing business in Qianhai.

In September 2015, we acquired the properties situated at Guanlan, Baoan District (also known as Longhua New District), Shenzhen, which is a paramount of the Group to evolve the real estate development business. Looking forward, the Group will strike to explore for any potential real estate development or property investment opportunities.

For the purpose of sustaining long term growth, we will also keep on exploring all potential opportunity to develop its businesses.

## APPRECIATION

On behalf of the Board of Directors, I would like to thank all our staff for their dedication and contributions and our customers, suppliers, business associates and shareholders for their continuous support at the present difficult business environment.

By Order of the Board
**Lin Xiaohui**
*Chairman*

Hong Kong, 23 March 2016

## RECENT DEVELOPMENTS

The principal activities of the Group during the year include provision of financial printing, digital printing and other related services ("Commercial Printing Business"), manufacture and sale of hangtags, labels, shirt paper boards and plastic bags ("Hangtag Business"), distribution and sale of motor vehicle parts ("Motor Vehicle Parts Business"), provision of securities brokerage services and margin financing ("Financial Services Business"), and trading of electronic products, computer equipment and consumer products ("Trading Business"), and property investment.

As disclosed in the announcement of the Company dated 9 April 2015, the Group entered into an acquisition agreement to conditionally acquire the entire interest in Concept Star Corporation Limited ("Concept Star"), which hold the property of House No.25, Villa Bel-air, Bel-air on the Peak, Island South, No.25 Bel-Air Peak Rise, Hong Kong ("Bel-Air"), at a cash consideration of HK$225 million. The acquisition was completed on 5 June 2015.

The board believed that the acquisition is a good investment opportunity and the Group would benefit from the potential capital appreciation of the property. The property is currently under renovation and recorded as investment properties in the consolidated statement of financial position and revalued by an independent valuer at HK$288 million as at 31 December 2015.

As disclosed in the announcement of the Company dated 18 April 2015, the Group intended to commence e-commerce business for motor vehicle parts, electronic products and computer components with a view to broadening the Group's business portfolio as well as income stream. During the year, the Group has set up a business-to-business (B2B) e-commerce platform for online purchase of motor vehicle parts – www.1196.com, however, the business-to-customer (B2C) e-commerce platform is still under development. Instead, the Group has sourced certain electronic products suppliers and commenced trading of electronic products during the year. Once the e-commerce platform has been fully developed, the Group would conduct the trading business through the e-commerce platform. The Group is conducting feasibility studies on the cross-border e-commerce business between Shenzhen and Hong Kong.

In order to expand the e-commerce business for motor vehicle parts, the collaboration from the Realord Vehicle Parts Limited and additional funding for enhancement of the e-commerce platform are required. However, the business partner, International Treasure Holdings Limited, is not willing to provide additional funding for such enhancement. As announced on 29 May 2015, the Group entered into a sales and purchase agreement with International Treasure Holdings Limited and its sole shareholder, Mr. Zhan, to acquire the 40% equity interest in Realord Vehicle Parts

Limited, together with the shareholder loan, from International Treasure Holdings Limited at a cash consideration of HK$12,668,000. Upon completion of the transaction on 29 May 2015, Realord Vehicle Parts Limited became an indirect wholly-owned subsidiary of the Group. We believed that the acquisition of the 40% equity interest of Realord Vehicle Parts Limited would further consolidate the Group's control in Realord Vehicle Parts Limited and facilitates the collaboration between the e-commerce business and sale and distribution of motor vehicle parts, which would enhance the operating efficiency of the Group.

As disclosed in the announcement of the Company dated 8 May 2015, the Group has completed the acquisition of the entire equity interest in Realord Manureen Securities Limited (previously named as "Manureen Securities Limited") which is engaged in provision of securities brokerage services. The Board believed that the acquisition of Realord Manureen Securities Limited would allow the Group to participate in the securities brokerage industry and diversify from its existing businesses. After the acquisition, the Group has also commenced margin financing business as an additional type of financial service provided to customers which can further strengthen the market position of Realord Manureen Securities Limited.

As disclosed in the announcement of the Company dated 23 September 2015, the Group entered into an agreement to acquire the entire interest in the properties situated at Guanlan, Baoan District, Shenzhen, the PRC. The acquisition was completed during the year at a total cost of approximately HK$105.4 million. The properties are currently leased out to independent third parties and recorded as investment properties in the consolidated statement of financial position. The properties were revalued by an independent valuer at HK$121.9 million as at 31 December 2015.

As disclosed in the circular of the Company dated 16 October 2015, the Group has entered into an agreement to acquire the entire equity interest in Manureen Group Holdings Limited, of which its wholly-owned subsidiary, Qianhai Meilin Finance Leases (Shenzhen) Company Limited is licensed to conduct business in financial leasing and operating leasing and the key asset acquired is the properties located at units 309, 311 and 313, Huayangnian, Funian Square, Futian Free Trade Zone, Shenzhen, the PRC ("PRC Properties"). The acquisition was completed in November 2015. Through this acquisition, the Board intended to develop the business of financial leasing in the PRC, which enjoy the PRC government's supportive policy towards the financial leasing industry, particularly in the Qianhai Bay Bonded Area. The PRC Properties are occupied as offices for the subsidiaries of the Company for their business operation in the PRC and recorded as property, plant and equipment in the consolidated statement of financial position.

## FINANCIAL REVIEW

### Overview

The Group has changed its financial year-end date from 31 March to 31 December with effect from 2014. This is the first annual results announcement for the Company and its subsidiaries (the "Group") to cover the annual period of 1 January to 31 December, while the comparative amounts for the financial statements and the related notes cover a nine months period from 1 April 2014 to 31 December 2014 and therefore they are not entirely comparable. For meaningful comparison purpose, financial data for the last corresponding year (1 January 2014 to 31 December 2014) was provided in the Five Year Financial Highlight on page 3 as comparative figures. It should be noted that the financial data for the last corresponding year has not been reviewed nor audited by our auditors.

During the year under review, the Group recorded total revenue of approximately HK$202.0 million, which represented an increase of about 90.9% to that of the last corresponding year of approximately HK$105.8 million. The Group recorded a profit from continuing operations of approximately HK$32.6 million for the year as compared with a loss from continuing operation of HK$17.2 million for the last corresponding year.

The significant increase in Group's revenue was primarily due to the increase in revenue contributed by Motor Vehicle Parts Business and new source of revenue contributed by the new business segments including Financial Services Business and Trading Business during the year. During the year, the Motor Vehicle Parts Business contributed revenue of approximately HK$95.4 million as compared with HK$23.9 million in the last corresponding year, while the Financial Services Business and Trading Business contributed revenue of approximately HK$5.0 million and approximately HK$21.9 million, respectively.

The increase in profit from continuing operations was mainly due to the fair value gains on investment properties of approximately HK$90.1 million (2014: HK$20.4 million), which was partly offset by the related deferred taxation of the fair value gains of approximately HK$14.5 million (2014: HK$9.6 million) as well as the increase in corporate expenses of approximately HK$14.9 million. The increase in corporate expenses was mainly due to increase in the staff costs, increase in rental expenses for the new head office in Hong Kong and the equity-settled share option expenses.

### Business Review

The Commercial Printing Business contributed revenue of approximately HK$68.2 million representing 33.8% of the Group's total revenue during the year. There is a slight increase in revenue by 3.2% to approximately HK$68.2 million as compared to that of the last corresponding year of approximately HK$66.1 million. The Commercial Printing Business recorded an operating profit of approximately HK$1.2 million as compared with operating loss of approximately HK$0.2 million for the last corresponding year.

The Hangtag Business contributed revenue of approximately HK$11.5 million representing 5.7% of the Group's total revenue during the year. The revenue from the Hangtag Business decreased by 27.2% as compared with the revenue of the last corresponding year of approximately HK$15.8 million. The decrease in revenue was mainly due to decrease in orders from customers. The customers of Hangtag Business mainly engaged in the garment manufacturing industries. The sales orders significantly decreased during the year as a result of decrease in demand of hangtags from our customers. In view of the deteriorating operating result, the Group provided an allowance of impairment loss of approximately HK$0.5 million during the year. Due to the significant decrease in sales orders, the Hangtag Business recorded an operating loss of HK$2.3 million for the year as compared with an operating profit of HK$1.3 million for last corresponding year.

The Motor Vehicle Parts Business contributed revenue of approximately HK$95.4 million representing 47.2% of the Group's total revenue during the year. The Motor Vehicle Parts Business commenced operations in October 2014 and recorded revenue of approximately HK$23.9 million in the last corresponding year. This business recorded operating profit of approximately HK$5.7 million for the year and HK$1.4 million for the last corresponding year.

The Group commenced the operations in the Financial Services Business subsequent to the completion of acquisition of Realord Manureen Securities Limited in May 2015 which engaged in provision of securities brokerage and margin financing services in Hong Kong. The Group also acquired Qianhai Meilin Finance Leases (Shenzhen) Company Limited (through the acquisition of Manureen Group Holdings Limited as disclosed in the circular dated 16 October 2015) in November 2015 and planned to extend its financial service business to financial leasing in the PRC. The Financial Services Business generated revenue of approximately HK$5.0 million contributing approximately 2.5% of the Group's total revenue during the year. The Financial Services Business recorded an operating loss of HK$1.2 million for the year which was mainly due to the increase in operating costs including the office rental expenses, staff costs and compliance costs incurred during the business development stage.

During the year, the Group has set up a business-to-business (B2B) e-commerce platform for the online purchase of motor vehicle parts – www.1196.com, however, the business-to-customer (B2C) e-commerce platform is still under development. Instead, the Group has sourced certain electronic products and consumer products suppliers and commenced trading of such products during the year. The Trading Business contributed revenue of approximately HK$21.9 million representing 10.8% of the Group's total revenue during the year. The Trading Business recorded an operating loss of HK$0.2 million during the year primarily due to the staff cost incurred for the e-commerce platform.

The Group has acquired several properties in Hong Kong and the PRC during the year. The investment properties of the Group generated rental income of approximately HK$5.7 million for the year. The investment properties of the Group were revalued by an independent valuer at 31 December 2015 and recorded a fair value gains of approximately HK$90.1 million with the related deferred taxation expenses of HK$14.5 million.

The Group has invested in listed securities in Hong Kong for trading purpose. The financial assets of the Group recorded a net loss of HK$4.4 million during the year. As at 31 December 2015, the fair value of the financial assets amounted to approximately HK$14.6 million.

**Liquidity, Financial Resources and Capital Structure**

The Group generally finances its operations with internally generated cash flow, cash reserve and banking facilities. The Group is financially sound with healthy cash position. Its cash and bank balances and pledged time deposits as at 31 December 2015 amounted to approximately HK$210.6 million (31 December 2014: HK$281.5 million).

On 1 April 2015, the Company had announced the completion of the subscription of 360,000,000 new ordinary shares of HK$0.10 each at subscription price of HK$1.40 per share by Manureen Holdings Limited ("2015 Subscription"). As stated in the circular of the Company in relation to the 2015 Subscription dated 12 March 2015, the net proceeds of approximately HK$503 million would be applied to finance the potential real estate projects. Up to the date of this annual report, the net proceeds has been fully used, approximately HK$225 million has been used for the acquisition of a property in Hong Kong as announced on 9 April 2015; approximately HK$10 million has been used for capital expenditure; approximately HK$88 million has been utilized for funding and development of the Group's Financial Services Business; and approximately HK$180 million has been used for the working capital of the Group.

Its gearing ratio as at 31 December 2015 was 21.9% (31 December 2014: 30.2%), based on the interest-bearing bank borrowings of approximately HK$186.8 million (31 December 2014: HK$100.0 million) and total equity of the Group of HK$854.4 million (31 December 2014: HK$331.5 million).

The directors consider that the Group's cash holding, liquid assets, future revenue and available banking facilities will be sufficient to fulfill the present working capital requirements of the Group.

**Foreign Exchange**

Most of the transactions of the Group were denominated in Hong Kong dollars, US dollars, Euro and Renminbi; while the Group had cash of approximately RMB110.0 million reserved for operating and treasury purpose as at 31 December 2015.

The Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and will adopt financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose as at 31 December 2015.

**Financial Guarantees and Charges on Assets**

As at 31 December 2015, corporate guarantees amounting to approximately HK$220.0 million were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries. Besides, the general banking facilities were secured by legal charges on the pledged time deposits and a property owned by the Group with a total net book value of approximately of HK$102.8 million and HK$288.0 million respectively.

As at 31 December 2014, general banking facilities were granted to one of the wholly-owned subsidiaries of the Group, which were secured by legal charges on the pledged time deposit held by the Group of approximately HK$105.5 million.

## PRINCIPAL RISKS AND UNCERTAINTIES

**Concentration risk**

The five largest customers of the Group contributed approximately 50.4% of the total turnover of the Group; while the five largest suppliers of the Group contributed approximately 71.2% of the total purchases of the Group. The concentration of sales and purchases on certain customers and suppliers may poses risk to the Group operation in that failure in any of these customers and suppliers may have adverse financial effect on the Group.

**Credit risk**

The account receivables amounted to HK$202.5 million as at 31 December 2015, which comprise amounts due from clients from Financial Services Business amounted to HK$116.2 million; amounts due from customers from Motor Vehicle Parts Business amounted to HK$76.0 million; amounts due from customers from other businesses amounted to HK$10.3 million.

The amounts due from clients from Financial Services Business comprise balance receivable from cash client and margin client. The cash clients are required to place deposits before execution of any purchase transactions and are due within the settlement period which are usually within a few days from the trade date. The credit risk arising from the amounts due from cash clients is considered to be low. The amounts due from margin clients are repayable on demand and the margin clients are required to place securities and/or cash deposits as collateral. On a daily basis, the management monitored market conditions and adequacy of collateral of each margin client. Margin calls and forced liquidation are made where necessary.

The customers from Motor Vehicle Parts Business are normally granted with credit terms. The management believes that no impairment allowance is considered necessary in respect of these balances as the customers have continuous settlement. However, the default of any of these clients would adversely impact the financial results and position of the Group.

**Market risk**

*Investment properties*

The Group held significant assets classified as investment properties for earning rental income and capital appreciation. Revaluation of investment properties would be conducted regularly by independent appraiser at reporting date and any surplus/deficiency was recorded as revaluation surplus/deficit in the income statement. Market value of investment properties could be affected by a number of factors, such as property market condition, interest rate, political environment, etc. The change in fair value could significantly affect the financial results and position of the Group.

*Financial assets*

The Group held certain financials assets for trading purpose, the fluctuation in stock price of the portfolio of listed securities could significantly affect the profitability of the Group. According to the Hong Kong Financial Reporting Standard, the gain/loss on listed securities should be booked as fair value gain/loss on investment held for trading in the statement of profit or loss. The fluctuation in stock price could impact the Group's profitability. The directors will closely monitor the stock market and make changes to the investment portfolio in order to maximize shareholders' return.

## LAWS AND REGULATIONS

Laws and regulations in relation to the financial services sector, workplace quality and environmental protection may have a material effect on the Group's principal activities.

**Operation in regulatory sector**

The Financial Services Business of the Group operates in a highly regulated sector. The risk of non-compliance with regulatory requirements could lead to the loss of operating licenses. Therefore, we make it a top priority to ensure compliance with the relevant rules and regulations, and to stay up to date on new laws and regulations. The Group has implemented policies and procedures designed to ensure compliance with the most relevant laws and regulations.

To the best of our knowledge, the Group has complied with the relevant regulations for our financial services business in Hong Kong. We did not identify any material non-compliance or breach of legislation.

**Workplace Quality**

The Group believes that continued business success relies on the full contribution and support of our employees. We are dedicated to promoting equal opportunities for all of our employees in different areas, including recruitment, compensation and benefits, training, staff promotion, transfer, and dismissal. All employees are assessed based on their ability, performance and contribution, irrespective of their nationality, race, religion, gender, age or family status.

The Group is committed to the health, safety and welfare of our employees. We pledge full compliance in all occupational health and safety legislations and we have implemented an effective and safe working environment for our employees.

The Group has complied with labour or other relevant legislations. We did not identify any material non-compliance or breach of legislation related to workplace quality.

**Environmental Protection**

The Group is committed to protecting and sustaining the environment through reduced consumption of electrical power. We are committed to upholding high environmental standards to fulfill relevant requirements under applicable laws or ordinances during the manufacturing and material disposal processes.

We did not identify any material non-compliance or breach of relevant standards, rules and regulations on air and greenhouse gas emission, discharges into water and land, generation of hazardous or non-hazardous water, etc.

## RELATIONSHIP WITH EMPLOYEES

The Group recognize employees as the most important assets of the Group. The contribution and support of employees are valued at all times. The Group regularly reviews the remuneration policies according to the market benchmarks, financial results and individual performance of employees. Other staff benefit plans are provided to enhance the employees' loyalty and satisfaction.

## RELATIONSHIP WITH SUPPLIERS

**Fair and Open Competition**

The Group promotes fair and open competition that aims to develop long term relationships with suppliers based on mutual trust.

**Public Interest and Accountability**

The procurement from suppliers or service providers is conducted in a manner consistent with the highest ethical standards. This helps assure high products quality at all times to gain the confidence of customers, suppliers and the public.

**Procurement and Tendering Procedures**

The contracting of services and the purchase of goods are based solely on need, quality and price. This ensures compliance with procurement policies and fosters positive and open competition.

## RELATIONSHIP WITH CUSTOMERS AND CLIENTS

**Customer Services**

The Group seeks to provide efficient and courteous customer service to maintain customer satisfaction and co-operation. Customers have access to information about the operation and development of the Group through annual reports and the company website. The Group shall not make any misrepresentation, exaggeration or overstatement.

## EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2015, the Group had a total workforce of 119, of whom 96 were based in Hong Kong and 23 were based in the People's Republic of China,

Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and merits. Salaries are normally reviewed on an annual basis and bonuses, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

## SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

Corporate Social Responsibility has become common practice. The Group cares to save energy, reduce waste during our day-to-day operations, and to protect the environment by implementing a series of measures in energy conservation and paper recycling etc.

## EXECUTIVE DIRECTORS

**Dr. Lin Xiaohui** ("Dr. Lin"), aged 42, obtained a post-graduate diploma in business administration from the Society of Business Practitioners in December 2013, a Master degree of business administration from the City University College of Science and Technology in September 2014 and a Honorary Doctorate degree of Business Administration from the SABI University in August 2015. Since 2005, Dr. Lin has held management positions in a number of private companies in which he has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Dr. Lin is a member of the Committee of Shenzhen City of the Chinese People's Political Consultative Conference and a member of the Committee of Futian District, Shenzhen City of the Chinese People's Political Consultative Conference. Dr. Lin is the spouse of Madam Su and the brother of Mr. Lin Xiaodong. Dr. Lin joined the Group in June 2014.

**Madam Su Jiaohua** ("Madam Su"), aged 43, obtained the advanced diploma in business studies from Ashford College of Management & Technology Singapore in September 2012. Since 2005, Madam Su has held management positions in a number of private companies in which she has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Madam Su also served as a member of the People's Congress of Futian District, Shenzhen City since April 2012. Madam Su is the spouse of Dr. Lin. Madam Su joined the Group in June 2014.

**Mr. Lin Xiaodong** ("Mr. Lin"), aged 33, obtained a Bachelor of Commerce and Administration in Commercial Law and International Business from the Victoria University of Wellington, New Zealand in 2007. He has worked in the Branch Office of Shenzhen Municipal Office of the State Administration of Taxation* (深圳市國家税務局直屬分局) from 2007 to 2009. He has undertaken various managerial roles in a company owned by Dr. Lin and Madam Su since 2009. Mr. Lin Xiaodong is the brother of Dr. Lin. Mr. Lin Xiaodong joined the Group in June 2014.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Yu Leung Fai** ("Mr. Yu"), aged 39, has extensive experience in the corporate services field. Mr. Yu has joined the corporate and PRC services of Fung, Yu & Co. CPA Limited since 2001 and is currently the principal of the division. He holds a Degree of Bachelor of Commerce (Hon.) from the University of Toronto and a Degree of Bachelor of Laws from the University of London, and is a member of the American Institute of Certified Public Accountants, Certified Public Accountants of Australia and the Hong Kong Institute of Certified Public Accountants.

* *For identification purpose only*

Mr. Yu has also been the joint company secretary and authorized representative of China National Materials Co. Ltd. (stock code: 1893) since May 2009; the company secretary and alternative authorized representative of Beijing Media Corporation Ltd. (stock code: 1000) since March 2010; the company secretary and authorized representative of Yuanda China Holdings Limited (stock code: 2789) since June 2012; the company secretary and authorized representative of Vale S.A. (stock code: 6210 for Common Depositary Receipts and 6230 for Class A Preferred Depositary Receipts) since 2010, all of which are companies listed on The Stock Exchange of Hong Kong Limited. Mr. Yu joined the Group in June 2014.

**Mr. Fang Jixin** ("Mr. Fang"), aged 34, holds a Master degree in Civil and Commercial Law from Wuhan University. Mr. Fang was a legal assistant and a solicitor in the Shu Jin Law Firm from 2005 to 2008 and in the compliance and management division of China International Capital Corporation Limited from 2008 to 2012. He has joined Shenzhen City Zhidongli Precise Technology Company Limited* (深圳市智動力精密技術股份有限公司) since 2012 and is currently the deputy general manager and secretary to the board (董事會秘書). Mr. Fang joined the Group in June 2014.

**Dr. Li Jue** ("Dr. Li"), aged 40, graduated in Jilin University School of Law, obtained a Bachelor degree in Laws in 1997, a Master degree in Civil and Commercial Law in 2001 and a Doctorate degree in Civil and Commercial Law in 2013. In 2014, Dr. Li joined the post-doctoral research station jointly established by the Center for Assessment and Development of Real Estate, Shenzhen* (深圳市房地產評估發展中心) and the Harbin Institute of Technology, PRC, and engaged in researches relating to the real estate industry. Dr. Li was employed by the Bank of China (Shenzhen Branch) from 2001 to 2013. Dr. Li joined the Group in June 2014.

## SENIOR MANAGEMENT

**Mr. Tsang Ching Pang** ("Mr. Tsang"), aged 37, is the chief financial officer and company secretary of the Company. Mr. Tsang has over 9 years of experience in assurance and transaction advisory services in Hong Kong and China. Mr. Tsang graduated from the Hong Kong University of Science and Technology with a Bachelor Degree in Business Administration, majoring in finance. Mr. Tsang is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tsang joined the Group in February 2011.

* *For identification purpose only*

# REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 45 to the financial statements.

An analysis of the Group's performance for the year ended 31 December 2015 by business operating segments and geographical information is set out in note 4 to the financial statements.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the financial position of the Group at that date are set out in the financial statements on pages 36 to 143.

No interim and final dividends have been declared during the year ended 31 December 2015 and 31 December 2014. A special dividend of HK50 cents per share has been declared and paid in July 2014.

## FIVE YEAR FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the last five fiscal years is set out on page 3.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the Management Discussion and Analysis on pages 8 to 10.

## SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 31 December 2015 are set out in note 30 to the financial statements.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2015, the Company repurchased a total of 700,000 shares on the Hong Kong Stock Exchange at an aggregate consideration (before expenses) of HK$1,746,000. All the repurchased shares were subsequently cancelled. The summary details of those transactions are as follows:

| Month | Number of shares repurchased | Price per share Highest | Price per share Lowest | Total price paid HK$ |
|---|---|---|---|---|
| September 2015 | 700,000 | HK$2.5 | HK$2.49 | 1,746,000 |

Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2015.

## PRE-EMPTIVE RIGHTS

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

## DISTRIBUTABLE RESERVES

At 31 December 2015, the Company's reserve available for distribution amounted to HK$50,080,000 (2014: HK$79,801,000).

## MAJOR CUSTOMERS AND SUPPLIERS

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

(1) The aggregate amount of turnover attributable to the Group's five largest customers represented 50.4% of the Group's total turnover. The amount of sales to the Group's largest customer represented 16.4% of the Group's total turnover.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 71.2% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 22.8% of the Group's total purchases.

None of the directors of the Company, their associates or any shareholder (who, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 December 2015.

## DIRECTORS

The directors of the Company during the year were as follows:

**Executive directors:**

Dr. Lin Xiaohui
Madam Su Jiaohua
Mr. Lin Xiaodong

**Independent non-executive directors:**

Mr. Yu Leung Fai
Mr. Fang Jixin
Dr. Li Jue

Mr. Lin Xiaodong and Mr. Yu Leung Fai will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with Bye-law 87 of the Company's Bye-laws.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to rule 3.13 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and as at the date of this report, still considers them to be independent.

## DIRECTORS' SERVICE CONTRACTS

No director of the Company as of the date of this report has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in notes 8 and 39 to the financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

## MANAGEMENT CONTRACTS

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

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

As at 31 December 2015, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

| | Number of shares held | | | | | |
|---|---|---|---|---|---|---|
| Name of directors | Personal interests (held as beneficial owner) | Corporate interests | Spouse interests | Interest from options granted under share option scheme | Total interests | Total interests as % of the issued share capital |
| Dr. Lin Xiaohui | – | 783,337,518 *(Note 1)* | 1,080,000 *(Note 3)* | 1,080,000 | 785,497,518 | 68.10% |
| Madam Su Jiaohua | – | – | 784,417,518 *(Note 2)* | 1,080,000 | 785,497,518 | 68.10% |
| Mr. Lin Xiaodong | – | – | – | 1,000,000 | 1,000,000 | 0.09% |
| Mr. Yu Leung Fai | – | – | – | 500,000 | 500,000 | 0.04% |
| Mr. Fang Jixin | – | – | – | 500,000 | 500,000 | 0.04% |
| Dr. Li Jue | – | – | – | 500,000 | 500,000 | 0.04% |

*Notes:*

1. As at 31 December 2015, Manureen Holdings Limited ("MHL") was the legal and beneficial owner of 783,337,518 shares. Since Dr. Lin Xiaohui owned 70% of the issued share capital of MHL, he was deemed to be interested in 783,337,518 shares.

2. Madam Su Jiaohua, the spouse of Dr. Lin Xiaohui, was deemed to be interested in 784,417,518 shares which Dr. Lin Xiaohui was deemed to be interested under the SFO as at 31 December 2015.

3. Dr. Lin Xiaohui, the spouse of Madam Su Jiaohua, was deemed to be interested in all the shares interested by his spouse under the SFO as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, none of the directors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, so far as is known to the directors, the following persons (other than a director or chief executive of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name of shareholder | Capacity | Number of shares held | Percentage of issued capital |
|---|---|---|---|
| Manureen Holdings Limited | Beneficial owner | 783,337,518 | 67.91% |

*Note:*

As at 31 December 2015, Manureen Holdings Limited ("MHL") was the legal and beneficial owner of 783,337,518 Shares. MHL was owned as to 70% by Dr. Lin Xiaohui and as to 30% by Madam Su Jiaohua.

Save as disclosed above, as at 31 December 2015, other than the directors and chief executive of the Company whose interests or short positions are set out in the paragraph headed "Directors' and chief executive's interests and short position in shares, underlying shares or debentures of the Company or its associated corporations" above, the directors and chief executive of the Company were not aware of any person who had any interest or short position in the shares or underlying shares of the Company according to the register of interest required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEMES

The share option scheme (the "Scheme") adopted by the Company was approved by the shareholders at the annual general meeting of the Company held on 10 August 2012 and is effective for a period of 10 years commencing on 10 August 2012. The purpose of the Scheme is to attract and retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group or any invested entity through granting of options to eligible participants. Further details of the Scheme are disclosed in note 31 to the financial statements.

Movements of the share options under the share option scheme during the year are as follows:

| Name of Grantee | Date of Grant | Exercise Period | Exercise price per share (HK$) | Outstanding as at 1 January 2015 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding as at 31 December 2015 |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Lin Xiaohui | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | – | 1,080,000 | – | – | 1,080,000 |
| Su Jiaohua | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | – | 1,080,000 | – | – | 1,080,000 |
| Lin Xiaodong | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | – | 1,000,000 | – | – | 1,000,000 |
| Yu Leung Fai | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | – | 500,000 | – | – | 500,000 |
| Fang Jixin | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | – | 500,000 | – | – | 500,000 |
| Li Jue | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | – | 500,000 | – | – | 500,000 |
| | | | | – | 4,660,000 | – | – | 4,660,000 |
| **Direcotors' associates** | | | | | | | | |
| Lin Xiaohong | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | – | 1,000,000 | – | – | 1,000,000 |
| Su Jiawen | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | – | 1,000,000 | – | – | 1,000,000 |
| Lin Yixin | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | – | 300,000 | – | – | 300,000 |
| Lin Jingming | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | – | 1,000,000 | – | – | 1,000,000 |
| | | | | – | 3,300,000 | – | – | 3,300,000 |
| **Other employees** | | | | | | | | |
| In aggregate | 20/5/2015 | 20/5/2017 – 19/5/2025 | 4.11 | – | 4,000,000 | – | (300,000) | 3,700,000 |
| | | | | – | 4,000,000 | – | (300,000) | 3,700,000 |
| | | | | | 11,960,000 | – | (300,000) | 11,660,000 |

There was no participant with options granted in excess of the individual limit.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors or any of their respective associates has interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

## CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 27 to 33.

## CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

1. **Acquisition of Realord Manureen Securities Limited (previously named as Manureen Securities Limited) ("RMSL")**

   On 12 November 2014, Realord Manureen Financial Group Limited ("RMFGL") (formerly named as Allied Time Investments Limited), a wholly-owned subsidiary of the Company, entered into a sales and purchases agreement with Madam Su Jiaohua ("Madam Su"), being the director of the Company, pursuant to which RMFGL conditionally agreed to acquire and Madam Su conditionally agreed to sell the entire equity interest in RMSL at consideration of HK$21,000,000 (subject to adjustment), payable in cash at completion. The acquisition was completed with adjusted consideration of HK$18,812,000 on 8 May 2015. The acquisition provided an opportunity for the Company to participate in the securities trading industry and allow the Company to diversify from its existing businesses.

   Madam Su is the substantial shareholder and the director of the Company and is considered as a connected person of the Company. Details of the acquisition were set out in the announcements of the Company dated 12 November 2014 and 8 May 2015.

2. **Share subscription by Manureen Holdings Limited ("MHL")**

   On 28 January 2015, the Company entered into a share subscription agreement with MHL, pursuant to which MHL has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 360,000,000 shares of the Company at the subscription price of HK$1.4 per share. The subscription of the shares of the Company was completed on 1 April 2015. The share subscription provided an opportunity to the Group to raise additional capital for the ongoing and future development of its businesses without imposing any interest burden or finance costs to or deteriorating the gearing position of the Group had such capital been funded by borrowings.

Manureen Holdings Limited is the controlling shareholder of the Company and is considered as a connected person of the Company. Details of the subscription were set out in the announcements of the Company dated 28 January 2015, 30 March 2015, 1 April 2015 and circular of the Company dated 12 March 2015.

**3. Acquisition of 40% equity interest in Realord Vehicle Parts Limited ("RVPL") and its shareholder's loan**

On 29 May 2015, Easy Yield Ventures Limited ("Easy Yield"), a wholly owned subsidiary of the Company, entered into a sales and purchases agreement with International Treasure Holdings Limited ("ITHL"), as the vendor, and Mr. Zhan Jinnan ("Mr. Zhan"), as the guarantor, pursuant to which Easy Yield agreed to purchase and ITHL agreed to sell the 40% equity interest in RVPL together with the shareholder's loan at a cash consideration of HK$12,668,000. The acquisition was completed on 29 May 2015. The acquisition further consolidates the control in RVPL by the Group and facilitates the collaboration between e-commerce business and sale and distribution of motor vehicle parts, which will enhance the operating efficiency of the Group.

ITHL was interested in 40% of all issued shares of RVPL before the acquisition and was therefore regarded as a connected person of the Company at the subsidiary level. Details of the acquisition were set out in the announcements of the Company dated 29 May 2015.

**4. Acquisition of Manureen Group Holdings Limited ("MGHL") and its shareholder's loan**

On 12 September 2015, RMFGL entered into a sales and purchases agreement with Dr. Lin and Madam Su, both of them are the directors of the Company, pursuant to which RMFGL conditionally agreed to purchase and Dr. Lin and Madam Su conditionally agreed to sell the entire interest of MGHL together with its shareholder's loan at a cash consideration of HK$48,000,000. RMFGL further agreed to procure MGHL to repay approximately RMB30.4 million (approximately HK$37 million) to Shenzhen Realord Technology Holding Limited. The acquisition was completed in November 2015. The acquisition enabled the Group to enter the financial leasing industry in the Qianhai Bay in order to diversify the business of the Group with the objective of broadening its sources of income.

Dr. Lin and Madam Su, both are the executive directors of the Company, and own 70% and 30% equity interest of MHL, the controlling shareholder of the Company. By reason of this, Dr. Lin and Madam Su are considered as connected persons of the Company. Details of the acquisition were set out in the announcements of the Company dated 13 September 2015 and 5 November 2015 and circular of the Company dated 16 October 2015.

5. **Finance lease contracts entered between Qianhai Meilin Finance Leases (Shenzhen) Company Limited* (前海美林融資租賃（深圳）有限公司) (“Qianhai Meilin”) and Shenzhen Xiapu Photoelectricity Technology Co., Ltd* (深圳市夏浦光電技術有限公司) (“SZ Xiapu”)**

On 18 May 2015, Qianhai Meilin and SZ Xiapu entered into the First Finance Lease Agreement, pursuant to which Qianhai Meilin agreed to purchase some elevators from SZ Xiapu at a consideration of RMB3,418,000 and to lease back those elevators to SZ Xiapu for a term of 5 years with total lease payments of RMB4,919,329 payable in 20 quarterly instalments at an interest rate of 15% per annum.

On 17 August 2015, Qianhai Meilin and SZ Xiapu entered into the Second Finance Lease Agreement, pursuant to which Qianhai Meilin agreed to purchase some elevators from SZ Xiapu at a consideration of RMB2,651,300 and to lease back those elevators to SZ Xiapu for a term of 5 years with total lease payments of RMB3,815,862 payable in 20 quarterly instalments at an interest rate of 15% per annum.

Qianhai Meilin became the wholly owned subsidiary of the Group subsequent to the acquisition of MGHL completed in November 2015.

SZ Xiapu was a company jointly owned by Dr. Lin and Madam Su, both are executive directors of the Company, and own 70% and 30% equity interest of MHL, the controlling shareholder of the Company. By reason of this, Dr. Lin and Madam Su are considered as connected persons of the Company. Details of the transactions were set out in the announcements of the Company dated 13 September 2015, 5 November 2015 and circular of the Company dated 16 October 2015.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the directors, the Company had maintained a sufficient public float of not less than 25% of the Company’s total issued shares as required under the Listing Rules throughout the year under review.

* *For identification purpose only*

## AUDITORS

During the year, BDO Limited resigned as auditors of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past five years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

**Lin Xiaohui**
*Chairman*

Hong Kong, 23 March 2016

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. In the opinion of the directors, the Company has complied all code provisions (the "Code Provisions") in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules for the year ended 31 December 2015.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2015.

## BOARD OF DIRECTORS

The Company is governed by a board of directors (the "Board") which has the responsibility for leadership and monitoring of the Company. The directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board set strategies and directions for the Group's activities with a view to develop its business and to enhance shareholders' value.

The Board met 18 times during the year ended 31 December 2015. Its composition and the attendance of individual directors at these Board meetings were follows:

| **Name** | **Number of Board meetings attended/held** |
|---|---|
| *Executive directors* | |
| Dr. Lin Xiaohui *(Chairman)* | 18/18 |
| Madam Su Jiaohua *(Chief Executive Officer)* | 18/18 |
| Mr. Lin Xiaodong | 18/18 |
| *Independent non-executive directors* | |
| Mr. Yu Leung Fai | 17/18 |
| Mr. Fang Jixin | 17/18 |
| Dr. Li Jue | 17/18 |

Dr. Lin Xiaohui and Madam Su Jiaohua are spouses.

Dr. Lin Xiaohui and Mr. Lin Xiaodong are brothers.

To the best knowledge of the Company and save as disclosed above, there is no financial, business and family relationship among members of the Board.

## DIRECTORS' TRAINING

All directors participate in continuous professional development to enhance and refresh their knowledge and skills. During the year ended 31 December 2015, all directors had provided the Company their training records. All directors participated in continuous professional development exercise by way of attending seminars/conferences/forums organised by professional organisations and keep themselves updates on the roles, functions and duties of a listed company directors. The trainings attended by the directors are in the area of corporate governance, regulatory development, financial management or business skills and knowledge. The Company is of the view that all directors of the Company has compiled with Code Provision A.6.5.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer of the Company are separated, with a clear division of responsibilities to assume a balance of authority and power.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group.

The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Group benefits from the experience and expertise of the independent non-executive directors of the Company. They advise the Company on strategy development and enable the Board to maintain high standards of compliance of financial and other mandatory requirements. Each independent non-executive director of the Company gives an annual confirmation of the independence to the Company and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

All the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Bye-laws of the Company, which stipulate that one-third of the directors shall retire from office by rotation so that each director shall be subject to retirement at least once every three years.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report; and
- such other corporate governance and functions set out in the Code Provisions (as amended from time to time) for which the Board are responsible.

## REMUNERATION COMMITTEE

During the year ended 31 December 2015, the members of the Remuneration Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Li Jue (Chairman), Mr. Yu Leung Fai and Dr. Lin Xiaohui. The terms of reference of the Remuneration Committee have been determined with reference to the Code.

The Remuneration Committee met one time during the year ended 31 December 2015. All members attended this meeting.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management. During the year ended 31 December 2015, the Remuneration Committee has reviewed the Group's remuneration policy, including the policy for the remuneration of executive directors in accordance with Code Provision B.1.2(c)(ii), the levels of remuneration paid to executive directors and senior management of the Group.

## NOMINATION OF DIRECTORS

During the year ended 31 December 2015, the members of the Nomination Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Lin Xiaohui (Chairman), Mr. Yu Leung Fai and Mr. Fang Jixin. The terms of reference of the Nomination Committee have been determined with reference to the Code.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition of the Board at least annually, making recommendations on the procedures and criteria for appointment of Directors and implementing those that are adopted by the Board.

## AUDIT COMMITTEE

During the year ended 31 December 2015, the members of the Audit Committee comprised three independent non-executive directors of the Company, namely Mr. Yu Leung Fai (Chairman), Mr. Fang Jixin and Dr. Li Jue. The terms of reference of the Audit Committee follow the guidelines set out in the Code.

The Audit Committee met two times during the year ended 31 December 2015, which were attended by all members.

During the year, the Audit Committee had reviewed the Group's interim and annual results, risk management and internal control system and financial reporting matters. The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures.

## ACCOUNTABILITY AND AUDIT

**Financial Reporting**

The directors acknowledge their responsibility for preparing the financial statements of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. As at 31 December 2015, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the Independent Auditors' Report attached to the Company's Financial Statements for the year ended 31 December 2015.

### Internal Controls

During the year ended 31 December 2015, the Board has conducted regular review and evaluation of the ongoing effectiveness and adequacy of the Group's risk management and internal control system covering all controls, including financial, operational, compliance and risk management controls. In particular, the Board has considered the adequacy of resources, qualifications and experience of staff of the Company who are responsible for accounting and financial reporting function, and their training programmes and budget. The result has been reported to the Audit Committee. Appropriate measures and actions have been taken during the year ended 31 December 2015 on areas where rooms for improvement were identified.

## AUDITORS' REMUNERATION

For the year ended 31 December 2015, fees paid/payable to the Company's external auditors for audit services totalled HK$1,200,000 (nine months ended 31 December 2014: HK$550,000). For non-audit services, the fees amounted to HK$88,000 (nine months ended 31 December 2014: HK$520,000). The significant non-audit service assignments covered by these fees include the following:

| Services rendered | Fees paid/payable |
|---|---|
| | HK$'000 |
| – Preparation and transmission of profit tax returns | 88 |
| | 88 |

## COMPANY SECRETARY

The Company Secretary is to ensure there is a good information flow within the Board and between the Board and senior management, provide advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assist the Board in implementing the corporate governance practices. The Company Secretary confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2015 and has provided training record to the Company indicating his compliance with the training requirement under the Listing Rules. The Company is of the view that the Company Secretary has compiled with Rule 3.29 of the Listing Rules.

## CONSTITUTIONAL DOCUMENTS

The Bye-laws of the Company has been amended at the 2012 annual general meeting held on 10 August 2012 so as to bring the Bye-laws in line with the current revised requirements of the Listing Rule and certain changes to the laws of Bermuda. The amendments were disclosed in detail on pages 32 to 36 of the Company's circular to shareholders dated 11 July 2012 published on the websites of the Company and the Stock Exchange.

An updated version of the Bye-laws of the Company is available on the website of the Company (www.realord.com.hk) and the Stock Exchange (http://www.hkexnews.hk/index.htm).

## SHAREHOLDERS' RIGHTS

**Convenes a special general meeting of the Company**

Pursuant to Bye-law 58 of the Company, shareholder(s) 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 Company Secretary of the Company, to require a special 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 requisitionists themselves may convene a special general meeting.

**Enquiries to the Board**

Shareholder(s) may at any time send their enquires to the Board in writing through the Company Secretary whose contact details are as follows:

Company Secretary
Realord Group Holdings Limited
Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

**Procedures for putting forward proposals at general meetings**

The following shareholder(s) are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

1. any shareholder(s) representing not less than one-twentieth of the total voting rights of the Company on the date of the requisition; or

2. not less than one hundred shareholders.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office of the Company in the case of:

(1) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(2) any other requisition, not less than one week before the meeting.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act 1981 of Bermuda (as amended) once valid documents received.

## COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. To facilitate and enhance the relationships and communication, the Company has established, including but not limited to, the following various channels:

1. annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the directors are available at annual general meetings to address shareholders' queries;

2. separate resolutions are proposed at general meetings on each substantially separate issue to facilitate the enforcement of shareholders' rights. Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all resolutions set out in the notice of the 2015 annual general meeting of the Company will be voted by poll;

3. interim and annual results are announced as early as possible so that the shareholders are kept informed of the Group's performance and operations; and

4. corporate website www.realord.com.hk contains extensive information and updates on the Company's business.

EY 安永

**To the shareholders of Realord Group Holdings Limited**
*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Realord Group Holdings Limited (the "Company") and its subsidiaries set out on pages 36 to 143, 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 comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

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

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

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

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

## OPINION

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

Ernst & Young
*Certified Public Accountants*
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

23 March 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

| | Notes | Year ended 31 December 2015 HK$'000 | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| REVENUE | 5 | **202,018** | 89,184 |
| Cost of sales | | **(136,611)** | (46,079) |
| Gross profit | | **65,407** | 43,105 |
| Other income and gains | 5 | **101,471** | 17,722 |
| Selling and distribution expenses | | **(4,491)** | (2,127) |
| Administrative expenses | | **(99,690)** | (54,998) |
| Other operating expenses | | **(12,661)** | (416) |
| Finance costs | 7 | **(1,690)** | (101) |
| PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | 6 | **48,346** | 3,185 |
| Income tax expense | 10 | **(15,707)** | (6,258) |
| PROFIT/(LOSS) FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS | | **32,639** | (3,073) |
| **DISCONTINUED OPERATIONS** | | | |
| Loss for the period from discontinued operations | 11 | **–** | (3,743) |
| PROFIT/(LOSS) FOR THE YEAR/PERIOD | | **32,639** | (6,816) |
| Attributable to: | | | |
| Owners of the Company | | **32,427** | (7,272) |
| Non-controlling interest | | **212** | 456 |
| | | **32,639** | (6,816) |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| Basic | | | |
| – For profit/(loss) for the year/period | 13 | **HK3.04 cents** | (HK1.02 cents) |
| – For profit/(loss) from continuing operations | 13 | **HK3.04 cents** | (HK0.50 cent) |
| Diluted | | | |
| – For profit/(loss) for the year/period | 13 | **HK3.04 cents** | (HK1.02 cents) |
| – For profit/(loss) from continuing operations | 13 | **HK3.04 cents** | (HK0.50 cent) |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

| | Year ended 31 December 2015 HK$'000 | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|
| PROFIT/(LOSS) FOR THE YEAR/PERIOD | **32,639** | (6,816) |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences released upon disposal of subsidiaries | **–** | 68 |
| Exchange differences on translation of foreign operations | **(6,224)** | (60) |
| Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods | **(6,224)** | 8 |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | |
| Gains on property revaluation | **–** | 1,022 |
| Income tax effect | **–** | (224) |
| Net other comprehensive income not to be reclassified to profit or loss in subsequent periods | **–** | 798 |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX | **(6,224)** | 806 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD | **26,415** | (6,010) |
| Attributable to: | | |
| Owners of the Company | **26,203** | (6,466) |
| Non-controlling interest | **212** | 456 |
| | **26,415** | (6,010) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

| | Notes | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 14 | **86,764** | 9,820 |
| Investment properties | 15 | **552,900** | 135,730 |
| Goodwill | 16 | **2,100** | – |
| Other intangible asset | 17 | **4,400** | – |
| Finance lease receivables | 18 | **6,546** | – |
| Available-for-sale investments | 19 | **13,844** | 7,344 |
| Deferred tax assets | 29 | **31** | 137 |
| Prepayments and deposits | 22 | **13,878** | – |
| Total non-current assets | | **680,463** | 153,031 |
| CURRENT ASSETS | | | |
| Inventories | 20 | **7,884** | 3,602 |
| Trade receivables | 21 | **86,335** | 31,934 |
| Receivables arising from securities broking | 21 | **116,158** | – |
| Prepayments, deposits and other receivables | 22 | **8,679** | 14,216 |
| Finance lease receivables | 18 | **1,601** | – |
| Tax recoverable | | **222** | 594 |
| Equity investment at fair value through profit or loss | 23 | **14,646** | – |
| Cash held on behalf of clients | 24 | **10,443** | – |
| Pledged time deposit | 25 | **102,760** | 105,500 |
| Cash and cash equivalents | 25 | **107,846** | 175,988 |
| Total current assets | | **456,574** | 331,834 |
| CURRENT LIABILITIES | | | |
| Trade payables | 26 | **5,748** | 5,192 |
| Payables arising from securities broking | 26 | **27,438** | – |
| Other payables and accruals | 27 | **15,526** | 14,153 |
| Interest-bearing bank borrowings | 28 | **186,825** | 100,000 |
| Tax payable | | **1,013** | 1,117 |
| Total current liabilities | | **236,550** | 120,462 |
| NET CURRENT ASSETS | | **220,024** | 211,372 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **900,487** | 364,403 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

| | Notes | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **900,487** | 364,403 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 29 | **46,075** | 32,939 |
| Net assets | | **854,412** | 331,464 |
| EQUITY | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 30 | **115,349** | 79,419 |
| Reserves | 32 | **739,063** | 239,589 |
| | | **854,412** | 319,008 |
| Non-controlling interest | | **–** | 12,456 |
| Total equity | | **854,412** | 331,464 |

**Lin Xiaohui**
*Director*

**Su Jiaohua**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

| | | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital HK$'000 (Note 30) | Share premium account HK$'000 | Contributed surplus HK$'000 | Asset revaluation reserve HK$'000 | Capital reserve HK$'000 | Exchange fluctuation reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interest HK$'000 | Total equity HK$'000 |
| At 1 April 2014 | | 63,535 | 107,590 | 34,080 | 89,043 | 9,900 | 211 | 181,435 | 485,794 | – | 485,794 |
| Loss for the period | | – | – | – | – | – | – | (7,272) | (7,272) | 456 | (6,816) |
| Other comprehensive income/(loss) for the period: | | | | | | | | | | | |
| Gains on property revaluation | | – | – | – | 1,022 | – | – | – | 1,022 | – | 1,022 |
| Deferred tax charge arising from gains on property revaluation | | – | – | – | (224) | – | – | – | (224) | – | (224) |
| Exchange differences released upon disposal of subsidiaries | | – | – | – | – | – | 68 | – | 68 | – | 68 |
| Exchange differences on translation of foreign operations | | – | – | – | – | – | (60) | – | (60) | – | (60) |
| Total comprehensive income/(loss) for the period | | – | – | – | 798 | – | 8 | (7,272) | (6,466) | 456 | (6,010) |
| Special 2014 dividend | 12 | – | – | – | – | – | – | (317,677) | (317,677) | – | (317,677) |
| Rights issue | 30 | 15,884 | 141,473 | – | – | – | – | – | 157,357 | – | 157,357 |
| Capital contribution from a non-controlling shareholder | | – | – | – | – | – | – | – | – | 12,000 | 12,000 |
| Reduction of share premium and contributed surplus | | – | (107,590) | (34,080) | – | – | – | 141,670 | – | – | – |
| Reserve transferred upon disposal of subsidiaries | | – | – | – | (61,567) | (9,900) | – | 71,467 | – | – | – |
| At 31 December 2014 | | 79,419 | 141,473* | –* | 28,274* | –* | 219* | 69,623* | 319,008 | 12,456 | 331,464 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

| | | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital HK$'000 (Note 30) | Share premium account HK$'000 | Share option reserve HK$'000 (Note 31) | Asset revaluation reserve HK$'000 | Exchange fluctuation reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interest HK$'000 | Total equity HK$'000 |
| At 1 January 2015 | | 79,419 | 141,473 | – | 28,274 | 219 | 69,623 | 319,008 | 12,456 | 331,464 |
| Profit for the year | | – | – | – | – | – | 32,427 | 32,427 | 212 | 32,639 |
| Other comprehensive loss for the year: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | | – | – | – | – | (6,224) | – | (6,224) | – | (6,224) |
| Total comprehensive income for the year | | – | – | – | – | (6,224) | 32,427 | 26,203 | 212 | 26,415 |
| Acquisition of non-controlling interest | | – | – | – | – | – | – | – | (12,668) | (12,668) |
| Issuance of new shares | 30 | 36,000 | 468,000 | – | – | – | – | 504,000 | – | 504,000 |
| Repurchase of shares | 30 | (70) | (1,676) | – | – | – | – | (1,746) | – | (1,746) |
| Equity-settled share option arrangements | 31 | – | – | 6,947 | – | – | – | 6,947 | – | 6,947 |
| Transfer of share option reserve upon the forfeiture of share options | | – | – | (71) | – | – | 71 | – | – | – |
| At 31 December 2015 | | 115,349 | 607,797* | 6,876* | 28,274* | (6,005)* | 102,121* | 854,412 | – | 854,412 |

* These reserve accounts comprise the consolidated reserves of HK$739,063,000 (2014: HK$239,589,000) in the consolidated statement of financial position.

In the prior year, the contributed surplus of the Group arose as a result of the Group reorganisation carried out on 24 December 1996 and represented the difference between the nominal value of the share capital of the former holding company of the Group acquired pursuant to the Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor. Such contributed surplus was utilised for the special distribution approved at a special general meeting on 11 June 2014.

In the prior year, the capital reserve of the Group arose as a result of the capital injection into a subsidiary, Dongguan Cheong Ming Printing Co., Limited ("DGCM"), by Cheong Ming Press Factory Limited, its immediate holding company, on 1 August 2007 by way of reinvestment of DGCM's retained profits brought forward as approved by the People's Republic of China ("PRC") authorities. The balance of the capital reserve was derecognised upon the disposal of Brilliant Stage Holdings Limited ("Brilliant Stage") together with its subsidiaries (collectively referred to as "Brilliant Stage Group").

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

| | Notes | Year ended 31 December 2015 HK$'000 | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax: | | | |
| From continuing operations | | **48,346** | 3,185 |
| From discontinued operations | 11 | **–** | (730) |
| Adjustments for: | | | |
| Finance costs | 7 | **1,690** | 123 |
| Interest income from margin financing | | **(3,407)** | – |
| Bank interest income | | **(3,742)** | (1,718) |
| Finance lease interest income | | **(236)** | – |
| Dividend income from financial assets at fair value through profit or loss | | **–** | (229) |
| Loss/(gain) on disposal of financial assets at fair value through profit or loss | | **–** | (537) |
| Loss/(gain) on disposal of items of property, plant and equipment | 6 | **(136)** | 21 |
| Loss on disposal of subsidiaries | | **–** | 1,227 |
| Loss on disposal of equity investments at fair value through profit or loss | 6 | **5,464** | – |
| Fair value loss/(gain) on equity investments at fair value through profit or loss | | **(1,022)** | 310 |
| Depreciation | 14 | **5,404** | 4,382 |
| Impairment loss on property, plant and equipment | 6 | **471** | – |
| Changes in fair value of investment properties | 6 | **(90,076)** | (12,690) |
| Revaluation deficits on property, plant and equipment | 6 | **2,067** | – |
| Recognition of prepaid lease payments for land | | **–** | 20 |
| Reversal of impairment of trade receivable | 6 | **(192)** | (228) |
| Equity-settled share option expenses | | **6,947** | – |
| | | **(28,422)** | (6,864) |
| Increase in inventories | | **(4,282)** | (4,359) |
| Increase in trade receivables | | **(54,209)** | (61,795) |
| Increase in receivables arising from securities broking | | **(103,352)** | – |
| Decrease/(increase) in prepayments, deposits and other receivables | | **(7,816)** | 12,140 |
| Decrease in cash held on behalf of clients | | **220** | – |
| Decrease/(increase) in equity investments at fair value through profit or loss | | **(19,088)** | 78,691 |
| Increase in trade payables | | **556** | 27,331 |
| Increase in payables arising from securities broking | | **5,874** | – |
| Increase in accrued liabilities and other payables | | **692** | 12,832 |
| Cash generated from/(used in) operations | | **(209,827)** | 57,976 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

| | Notes | Year ended 31 December 2015 HK$'000 | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|---|
| Cash generated from/(used in) operations | | **(209,827)** | 57,976 |
| Interest received | | **7,149** | 1,718 |
| Interest paid | | **(1,690)** | (123) |
| Dividend received from financial assets at fair value through profit or loss | | **–** | 229 |
| Income tax paid | | **(767)** | (2,657) |
| Net cash flows from/(used in) operating activities | | **(205,135)** | 57,143 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | 14 | **(10,965)** | (11,542) |
| Purchases of investment properties | 15 | **(106,100)** | – |
| Proceeds from disposal of items of property, plant and equipment | | **1,124** | 70 |
| Purchases of available-for-sale investments | | **(6,500)** | (7,344) |
| Acquisition of assets through acquisition of subsidiaries | | **(271,762)** | – |
| Acquisition of subsidiaries | | **(8,616)** | – |
| Acquisition of non-controlling interests | | **(12,668)** | – |
| Repayment of loan from a related company | | **(37,070)** | – |
| Receipt of finance lease receivables | | **520** | – |
| Decrease in time deposit with original maturity of more than three months | | **–** | 757 |
| Net proceeds from disposal of subsidiaries | | **–** | 156,652 |
| Net cash flows from/(used in) investing activities | | **(452,037)** | 138,593 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | | **–** | (317,677) |
| Repayment of bank loans | | **(5,000)** | (10,418) |
| New bank loans | | **91,760** | 110,000 |
| Contribution by non-controlling interest | | **–** | 12,000 |
| Proceeds from rights issue | | **–** | 157,357 |
| Proceeds from issue of shares | | **504,000** | – |
| Repurchases of shares | | **(1,746)** | – |
| Net cash flows from/(used in) financing activities | | **589,014** | (48,738) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

| | Notes | Year ended 31 December 2015 HK$'000 | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|---|
| Net cash flows from/(used in) financing activities | | **589,014** | (48,738) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | **(68,158)** | 146,998 |
| Cash and cash equivalents at beginning of year/period | | **281,488** | 134,550 |
| Effect of foreign exchange rate changes, net | | **(2,789)** | (60) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD | | **210,541** | 281,488 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 25 | **107,846** | 163,950 |
| Non-pledged time deposits with original maturity of less than three months when acquired | 25 | **–** | 12,038 |
| Cash and cash equivalents as stated in the statement of financial position | | **107,846** | 175,988 |
| Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities | | **102,760** | 105,500 |
| Bank overdrafts | 28 | **(65)** | – |
| Cash and cash equivalents as stated in the statement of cash flows | | **210,541** | 281,488 |

## 1. CORPORATE AND GROUP INFORMATION

Realord Group Holdings Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

During the year, the Group was involved in the following principal activities:

- provision of financial printing, digital printing and other related services
- manufacture and sale of hangtags, labels, shirt paper boards and plastic bags
- distribution and sale of motor vehicle parts
- provision of securities brokerage services and margin financing
- trading of electronic products and computer components
- property investment

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

* The particulars of the Company's principal subsidiaries are listed out in note 45 to the financial statements.

## 2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, the building classified as property, plant and equipment, available-for-sale investments and equity investment which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.1 BASIS OF PREPARATION (Continued)

As the period of annual planning would coincide with the peak season of the Group, the financial year end date of the Group was changed from 31 March to 31 December, effective from the prior year. The comparative amounts for the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes covered the nine months from 1 April 2014 to 31 December 2014, and therefore may not be entirely comparable with the amounts for the current year.

**Basis of consolidation**

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

## 2.1 BASIS OF PREPARATION (Continued)

**Basis of consolidation (Continued)**

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as explained below regarding the impact of amendments to HKFRS 8 included in *Annual Improvements to HKFRSs 2010-2012 Cycle*, the adoption of the above revised standards has had no significant financial effect on these financial statements.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

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

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

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
[4] No mandatory effective date yet determined but is available for adoption

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

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

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of the amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA and a mandatory effective date will be determined subsequently.

The amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) introduce minor clarifications to the requirements for accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards. The Group expects to adopt the amendments from 1 January 2016.

## 2.3 ISSUED BUT EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

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

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

(i) the materiality requirements in HKAS 1;

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

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

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

## 2.3 ISSUED BUT EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Business combinations and goodwill**

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Business combinations and goodwill (Continued)**

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Fair value measurement**

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Impairment of non-financial assets**

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Related parties**

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Property, plant and equipment and depreciation**

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

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

| | |
|---|---|
| Leasehold land and buildings | Over the lease terms |
| Plant and machinery | 10% |
| Furniture and fixtures | 20% |
| Office equipment | 20% |
| Cooking equipment | 33% |
| Leasehold improvements | 20% or over the lease term, whichever is shorter |
| Motor vehicles | 25% |

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Property, plant and equipment and depreciation (Continued)**

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

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

**Investment properties**

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

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

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

**Intangible assets (other than goodwill)**

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

The Group's other intangible asset, representing eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), have indefinite useful lives and is tested for impairment annually either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Leases**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

Finance leases, which transfer to the lessee substantially all the rewards and risks incidental to ownership of a leased item, are capitalised at the inception of the lease at fair value of the leased item, or if lower, at the present value of the minimum lease payments. Lease payments receivable are apportioned between the finance income and reduction in the investment in finance lease so as to achieve a constant rate of interest on the remaining balance of the net investment in finance leases. Finance income is credited to the statement of profit or loss.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments and other financial assets**

*Initial recognition and measurement*

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

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

*Subsequent measurement*

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

*Financial assets at fair value through profit or loss*

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

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

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

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments and other financial assets (Continued)**

*Loans and receivables*

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

*Available-for-sale financial investments*

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

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

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments and other financial assets (Continued)**

*Available-for-sale financial investments (Continued)*

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

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

**Derecognition of financial assets**

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

- the rights to receive cash flows from the asset have expired; or

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

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Derecognition of financial assets (Continued)**

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

**Impairment of financial assets**

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

*Financial assets carried at amortised cost*

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

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

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Impairment of financial assets (Continued)**

*Financial assets carried at amortised cost (Continued)*

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

*Available-for-sale financial investments*

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

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

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

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Impairment of financial assets (Continued)**

*Available-for-sale financial investments (Continued)*

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

**Financial liabilities**

*Initial recognition and measurement*

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

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

The Group's financial liabilities include trade payables, payables arising from securities broking, other payables and certain accruals, and interest-bearing bank borrowings.

*Subsequent measurement*

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

*Loans and borrowings*

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

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Derecognition of financial liabilities**

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

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

**Offsetting of financial instruments**

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

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

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

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Provisions**

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

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

**Income tax**

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

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

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

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

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

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Income tax (Continued)**

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

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

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

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

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

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Revenue recognition**

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) from the rendering of services, when the services have been rendered;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(e) dividend income, when the shareholders' right to receive payment has been established; and

(f) commissions and brokerage income on dealings in securities, on the transaction dates when the relevant contract notes are executed.

**Share-based payments**

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes option pricing model, further details of which are given in note 31 to the financial statements.

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Share-based payments (Continued)**

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

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

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

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

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

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Other employee benefits**

*Pension schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of 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 administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which 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 specific amount for the employees in Mainland China, pursuant to the local municipal government regulations. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

**Borrowing costs**

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

**Dividends**

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

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

## 2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Foreign currencies**

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

**Judgements**

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

*Classification between investment properties and owner-occupied properties*

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

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

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

**Estimation uncertainty**

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

*Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was HK$2,100,000 (2014: Nil). Further details are given in note 16.

*Estimation of fair value of investment properties*

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2015 was HK$552,900,000 (2014: HK$135,730,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

**Estimation uncertainty (Continued)**

*Impairment of trade receivables*

The Group makes impairment provision for trade receivables based on an assessment of the recoverability of trade receivables. Impairment provision is made for trade 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 on the recoverability of trade receivables is different from the original estimate, such difference will impact on the carrying value of trade receivables and impairment provision in the periods in which such estimate has been changed. The aggregate carrying amount of trade receivables as at 31 December 2015 amounted to HK$86,335,000 (2014: HK$31,934,000).

*Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment 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.

*Current taxes and deferred taxes*

Significant estimation and judgement were required in determining the amount of the provision for tax and the timing of payment of the related taxes. There were transactions and calculations for which the ultimate tax determination was uncertain during the ordinary course of business. As detailed in the Group's accounting policies, deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

## 4. OPERATING SEGMENT INFORMATION

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

(a) provision of financial printing, digital printing and other related services ("Commercial Printing Segment");

(b) manufacture and sale of hangtags, labels, shirt paper boards and plastic bags ("Hangtag Segment");

(c) distribution and sales of motor vehicles parts ("Motor Vehicle Parts Segment");

(d) provision of securities brokerage services and margin financing ("Financial Services Segment"); and

(e) trading of electronic products and computer components ("Trading Segment").

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that bank interest income, rental income on investment properties, fair value gains on investment properties, fair value gains on equity investment at fair value through profit or loss, revaluation deficit on property, plant and equipment, loss on disposal of equity investment at fair value through profit or loss, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged time deposit, cash and cash equivalents, equity investments at fair value through profit or loss, investment properties, available-for-sale investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings except for import invoice financing and overdraft, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

## 4. OPERATING SEGMENT INFORMATION (Continued)

| | Commercial Printing HK$'000 | Hangtag HK$'000 | Motor Vehicle Parts HK$'000 | Financial Services HK$'000 | Trading HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | | | |
| Segment revenue | | | | | | |
| Sales to external customers | 68,226 | 11,533 | 95,381 | 4,961 | 21,917 | 202,018 |
| Intersegment sales | 421 | – | – | 77 | – | 498 |
| | 68,647 | 11,533 | 95,381 | 5,038 | 21,917 | 202,516 |
| **Reconciliation:** | | | | | | |
| Elimination of intersegment sales | | | | | | (498) |
| Revenue from continuing operations | | | | | | 202,018 |
| Segment results | 1,213 | (2,252) | 5,702 | (1,178) | (185) | 3,300 |
| **Reconciliation:** | | | | | | |
| Bank interest income | | | | | | 3,742 |
| Rental income on investment properties | | | | | | 5,714 |
| Fair value gains on investment properties | | | | | | 90,076 |
| Fair value gains on equity investment at fair value through profit or loss – held for trading | | | | | | 1,022 |
| Revaluation deficit on property, plant and equipment | | | | | | (2,067) |
| Loss on disposal of equity investment at fair value through profit or loss – held for trading | | | | | | (5,464) |
| Corporate expenses | | | | | | (46,287) |
| Finance costs | | | | | | (1,690) |
| Profit before tax from continuing operations | | | | | | 48,346 |

## 4. OPERATING SEGMENT INFORMATION (Continued)

| | Commercial Printing HK$'000 | Hangtag HK$'000 | Motor Vehicle Parts HK$'000 | Financial Services HK$'000 | Trading HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | | | |
| **Segment assets** | 13,498 | 3,228 | 90,868 | 142,179 | 134 | 249,907 |
| **Reconciliation:** | | | | | | |
| Corporate and unallocated assets | | | | | | 887,130 |
| Total assets | | | | | | 1,137,037 |
| **Segment liabilities** | 13,304 | 1,790 | 12,106 | 27,892 | 119 | 55,211 |
| **Reconciliation:** | | | | | | |
| Corporate and unallocated liabilities | | | | | | 227,414 |
| Total liabilities | | | | | | 282,625 |
| **Other segment information:** | | | | | | |
| Depreciation | 1,300 | 330 | 104 | 67 | 13 | 1,814 |
| Loss/(gain) on disposal of items of property, plant and equipment | 148 | (97) | – | – | – | 51 |
| Impairment loss on property, plant and equipment | – | 471 | – | – | – | 471 |
| Reversal of impairment of trade receivables | (83) | (109) | – | – | – | (192) |
| Capital expenditure* | 3,647 | 13 | 1,226 | 153 | 146 | 5,185 |

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

## 4. OPERATING SEGMENT INFORMATION (Continued)

| **Nine months ended 31 December 2014** | Commercial Printing HK$'000 | Hangtag HK$'000 | Motor Vehicle Parts HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Segment revenue | | | | |
| Sales to external customers | 52,066 | 13,263 | 23,855 | 89,184 |
| Intersegment sales | 384 | 820 | – | 1,204 |
| | 52,450 | 14,083 | 23,855 | 90,388 |
| **Reconciliation:** | | | | |
| Elimination of intersegment sales | | | | (1,204) |
| Revenue from continuing operations | | | | 89,184 |
| Segment results | 1,128 | (133) | 1,364 | 2,359 |
| **Reconciliation:** | | | | |
| Bank interest income | | | | 685 |
| Rental income on investment properties | | | | 3,300 |
| Fair value gains on investment properties | | | | 12,690 |
| Corporate expenses | | | | (15,748) |
| Finance costs | | | | (101) |
| Profit before tax from continuing operations | | | | 3,185 |

## 4. OPERATING SEGMENT INFORMATION (Continued)

| Nine months ended 31 December 2014 | Commercial Printing HK$'000 | Hangtag HK$'000 | Motor Vehicle Parts HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Segment assets** | 17,193 | 4,146 | 25,933 | 47,272 |
| **Reconciliation:** | | | | |
| Corporate and unallocated assets | | | | 437,593 |
| Total assets | | | | 484,865 |
| **Segment liabilities** | 12,040 | 2,401 | 41 | 14,482 |
| **Reconciliation:** | | | | |
| Corporate and unallocated liabilities | | | | 138,919 |
| Total liabilities | | | | 153,401 |
| **Other segment information:** | | | | |
| Depreciation | 320 | 316 | – | 636 |
| Loss on disposal of items of property, plant and equipment | 72 | – | – | 72 |
| Impairment loss on trade receivables | 190 | – | – | 190 |
| Capital expenditure* | 668 | 464 | 26 | 1,158 |

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

## 4. OPERATING SEGMENT INFORMATION (Continued)

**Geographical information**

(a) Revenue from external customers

| | Year ended 31 December 2015 HK$'000 | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|
| Hong Kong | **114,045** | 80,022 |
| Mainland China | **85,236** | 7,086 |
| Other countries | **2,737** | 2,076 |
| | **202,018** | 89,184 |

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Hong Kong | **381,484** | 60,896 |
| Mainland China | **285,904** | 91,998 |
| | **667,388** | 152,894 |

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets of HK$31,000 and non-current portion of deposits of HK$6,498,000 and finance lease receivables of HK$6,546,000.

## 4. OPERATING SEGMENT INFORMATION (Continued)

**Information about major customers**

Revenue from continuing operations of approximately HK$78,241,000 (nine months ended 31 December 2014: HK$17,100,000) was derived from sales by the Motor Vehicle Parts Segment to three customers, who has individually contributed to 10% or more of the total revenue of the Group.

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Customer A | **33,074** | 17,100 |
| Customer B | **24,106** | – |
| Customer C | **21,061** | – |
| | **78,241** | 17,100 |

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; commission income from securities broking; and interest income from margin financing during the year/period.

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

Analysis of revenue, other income and gains from continuing operations is as follows:

| | Year ended 31 December 2015 HK$'000 | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|
| **Revenue** | | |
| Sales of goods | **128,831** | 37,118 |
| Rendering of services | **68,226** | 52,066 |
| Commission income from securities broking | **1,554** | – |
| Interest income from margin financing | **3,407** | – |
| | **202,018** | 89,184 |
| **Other income** | | |
| Bank interest income | **3,742** | 685 |
| Rental income | **5,714** | 3,300 |
| Finance lease interest income | **236** | – |
| Others | **353** | 1,047 |
| | **10,045** | 5,032 |
| **Gains** | | |
| Fair value gains on investment properties *(note 15)* | **90,076** | 12,690 |
| Gain on disposal of items of property, plant and equipment | **136** | – |
| Fair value gains on equity investment at fair value through profit or loss – held for trading | **1,022** | – |
| Others | **192** | – |
| | **91,426** | 12,690 |
| | **101,471** | 17,722 |

## 6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

| | Notes | Year ended 31 December 2015 HK$'000 | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|---|
| Cost of inventories sold | | **118,485** | 30,474 |
| Cost of services provided | | **18,126** | 15,605 |
| Depreciation | 14 | **5,404** | 884 |
| Minimum lease payments under operating leases | | **22,746** | 11,796 |
| Auditors' remuneration | | **1,354** | 1,317 |
| Employee benefit expense (excluding directors' remuneration *(note 8)*: | | | |
| Wages and salaries | | **42,748** | 26,474 |
| Pension scheme contributions | | **1,176** | 1,388 |
| Equity-settled share option expenses | | **4,199** | – |
| | | **48,123** | 27,862 |
| Changes in fair value of investment properties | 15 | **(90,076)** | (12,690) |
| Revaluation deficit on property, plant and equipment | 14 | **2,067** | – |
| Foreign exchange differences, net | | **3,960** | 281 |
| Impairment loss on trade receivables | 21 | **–** | 190 |
| Reversal of impairment of trade receivables | 21 | **(192)** | – |
| Impairment loss on property, plant and equipment | 14 | **471** | – |
| Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties | | **232** | 177 |
| Fair value gain on equity investment at fair value through profit or loss – held for trading | | **(1,022)** | – |
| Loss on disposal of equity investment at fair value through profit or loss – held for trading | | **5,464** | – |
| Loss/(gain) on disposal of items of property, plant and equipment | | **(136)** | 72 |

## 7. FINANCE COSTS

| | Year ended 31 December 2015 HK$'000 | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|
| Interest on bank loans, overdrafts and other loans | **1,690** | 101 |

## 8. DIRECTORS' REMUNERATION

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

| | Year ended 31 December 2015 HK$'000 | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|
| Fees | **360** | 341 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **5,520** | 4,359 |
| Discretionary bonuses | **30** | – |
| Equity-settled share option expense | **2,749** | – |
| Pension scheme contributions | **39** | 348 |
| | **8,338** | 4,707 |
| | **8,698** | 5,048 |

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

## 8. DIRECTORS' REMUNERATION (Continued)

### (a) Independent non-executive directors

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Equity-settled share option expenses HK$'000 | Pension scheme contributions HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | | | |
| Independent non-executive directors: | | | | | | |
| Mr.Yu Leung Fai | 120 | – | 10 | 295 | – | 425 |
| Mr. Fang Jixin | 120 | – | 10 | 295 | – | 425 |
| Dr. Li Jue | 120 | – | 10 | 295 | – | 425 |
| | 360 | – | 30 | 885 | – | 1,275 |

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Equity-settled share option expenses HK$'000 | Pension scheme contributions HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|---|---|
| Nine months ended 31 December 2014 | | | | | | |
| Independent non-executive directors: | | | | | | |
| Mr.Yu Leung Fai *(appointed on 30 June 2014)* | 60 | – | – | – | – | 60 |
| Mr. Fang Jixin *(appointed on 30 June 2014)* | 60 | – | – | – | – | 60 |
| Dr. Li Jue *(appointed on 30 June 2014)* | 60 | – | – | – | – | 60 |
| Dr. Lam Chun Kong *(resigned on 18 July 2014)* | 51 | – | – | – | – | 51 |
| Mr. Lo Wing Man *(resigned on 18 July 2014)* | 51 | – | – | – | – | 51 |
| Dr. Ng Lai Man, Carmen *(resigned on 18 July 2014)* | 59 | – | – | – | – | 59 |
| | 341 | – | – | – | – | 341 |

There were no other emoluments payable to the independent non-executive directors during the year (nine months ended 31 December 2014: Nil).

## 8. DIRECTORS' REMUNERATION (Continued)

### (b) Executive directors

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Equity-settled share option expenses HK$'000 | Pension scheme contributions HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | | | |
| Executive directors: | | | | | | |
| Dr. Lin Xiaohui | – | 3,600 | – | 637 | 18 | 4,255 |
| Madam Su Jiaohua | – | 1,200 | – | 637 | 18 | 1,855 |
| Mr. Lin Xiaodong | – | 720 | – | 590 | 3 | 1,313 |
| | – | 5,520 | – | 1,864 | 39 | 7,423 |

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Equity-settled share option expenses HK$'000 | Pension scheme contributions HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|---|---|
| Nine months ended 31 December 2014 | | | | | | |
| Executive directors: | | | | | | |
| Dr. Lin Xiaohui *(appointed on 30 June 2014)* | – | 1,507 | – | – | 141 | 1,648 |
| Madam Su Jiaohua *(appointed on 30 June 2014)* | – | 603 | – | – | 51 | 654 |
| Mr. Lin Xiaodong *(appointed on 30 June 2014)* | – | 362 | – | – | – | 362 |
| Mr. Lui Shing Ming, Brian *(resigned on 18 July 2014)* | – | 680 | – | – | 62 | 742 |
| Mr. Lui Shing Cheong *(resigned on 18 July 2014)* | – | 598 | – | – | 39 | 637 |
| Mr. Lui Shing Chung, Victor *(resigned on 18 July 2014)* | – | 609 | – | – | 55 | 664 |
| | | 4,359 | – | – | 348 | 4,707 |

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (nine months ended 31 December 2014: Nil).

## 9. FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2015, the five highest paid employees included three directors, details of whose remuneration are set out in note 8 above.

The table below shows the details of the remuneration of the remaining two highest paid employees who are not directors of the Company for the year ended 31 December 2015 (nine months ended 31 December 2014: one highest paid employees and three former directors remuneration received after their resignation as directors up to 31 December 2014).

| | **Year ended 31 December 2015 HK$'000** | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **3,276** | 1,890 |
| Discretionary bonuses | **3,583** | 5,000 |
| Equity-settled share option expenses | **590** | – |
| Pension scheme contributions | **229** | 110 |
| | **7,678** | 7,000 |

## 9. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

| | Number of employees | |
|---|---|---|
| | **Year ended 31 December 2015 HK$'000** | Nine months ended 31 December 2014 HK$'000 |
| Nil to HK$1,000,000 | **–** | 2 |
| HK$1,000,001 to HK$1,500,000 | **–** | – |
| HK$1,500,001 to HK$2,000,000 | **1** | 1 |
| HK$4,000,001 to HK$4,500,000 | **–** | 1 |
| HK$5,500,001 to HK$6,000,000 | **1** | – |
| | **2** | 4 |

During the year, share options were granted to a non-director highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director highest paid employees' remuneration disclosures.

## 10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (nine months ended 31 December 2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year/period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

| | **Year ended 31 December 2015 HK$'000** | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|
| Current – Hong Kong | | |
| Charge for the year | **1,008** | 409 |
| Under/(over)provision in prior years | **10** | (34) |
| Current – Mainland China | **17** | 8 |
| Deferred (note 29) | **14,672** | 5,875 |
| Total tax charge for the year/period | **15,707** | 6,258 |

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax charge at the effective tax rate is as follows:

| | **Year ended 31 December 2015** | | **Nine months ended 31 December 2014** | |
|---|---|---|---|---|
| | **HK$'000** | **%** | HK$'000 | % |
| Profit before tax | **48,346** | | 3,185 | |
| Tax at the statutory tax rate | **9,515** | **19.7** | 1,420 | 44.6 |
| Adjustments in respect of current tax of previous periods | **10** | **–** | (34) | (1.1) |
| Tax arising from fair value gain on investment properties | **14,474** | **30.0** | 5,703 | 179.1 |
| Income not subject to tax | **(17,738)** | **(36.7)** | (6,218) | (195.2) |
| Expenses not deductible for tax | **4,087** | **8.4** | 3,259 | 102.3 |
| Tax losses not recognised | **5,408** | **11.2** | 2,128 | 66.8 |
| Others | **(49)** | **(0.1)** | – | – |
| Tax charge at the Group's effective rate | **15,707** | **32.5** | 6,258 | 196.5 |

## 11. DISCONTINUED OPERATIONS

On 27 February 2014, the Company and Harmony Link Corporation ("Harmony Link") entered into a sale and purchase agreement (the "Asset Reorganisation Agreement") pursuant to which the Company conditionally agreed to sell and Harmony Link conditionally agreed to purchase the entire issued share capital of the Brilliant Stage Group for a cash consideration of HK$180,000,000. Brilliant Stage Group is principally engaged in manufacturing and sale of paper cartons, packaging boxes and printing of children's novelty books; and food and beverage business which are classified as discontinued operations of the Group as a result of the disposal. Details of the transaction are set out in the Company's circular dated 26 May 2014. The disposal was completed on 20 June 2014. The carrying amounts of assets and liabilities of Brilliant Stage Group at the date of disposal are disclosed in note 35.

The results of Brilliant Stage Group for the nine months ended 31 December 2014 are presented as follows:

| | Nine months ended 31 December 2014 HK$'000 |
|---|---|
| Revenue | 118,232 |
| Cost of sales | (105,567) |
| Other operating income | 2,805 |
| Expenses | (16,178) |
| Finance costs | (22) |
| Loss from the discontinued operations | (730) |
| Income tax related to pre-tax profit | (1,786) |
| Loss for the period from the discontinued operations | (2,516) |
| Loss on disposal of subsidiaries *(note 35)* | (1,227) |
| | (3,743) |

## 11. DISCONTINUED OPERATIONS (Continued)

The net cash flows incurred by Brilliant Stage Group are as follows:

| | Nine months ended 31 December 2014 HK$'000 |
|---|---|
| Operating activities | 73,532 |
| Investing activities | (190,858) |
| Financing activities | 10,000 |
| Net cash outflow | (107,326) |
| Loss per share: | |
| Basic and diluted from the discontinued operations | HK0.52 cent |

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

| | Nine months ended 31 December 2014 |
|---|---|
| Loss attributable to ordinary equity holders of the Company from the discontinued operations | HK$3,743,000 |
| Weighted average number of ordinary shares used in the basic and diluted earnings per share calculations *(note 13)* | 710,525,000 |

## 12. DIVIDEND

| | Year ended 31 December 2015 HK$'000 | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|
| Special dividend – Nil (nine months ended 31 December 2014: HK$0.5 per ordinary share) | – | 317,677 |

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

## 13. EARNINGS/LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year/period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year/period.

The calculation of the diluted earnings/(loss) per share amounts is based on the profit for the year/period attributable to ordinary equity holders of the Company, as used in the basic earnings/(loss) per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year/period, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

## 13. EARNINGS/LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of the basic and diluted earnings/(loss) per share are based on:

| | **Year ended 31 December 2015 HK$'000** | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|
| **Earnings** | | |
| Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation: | | |
| From continuing operations | **32,427** | (3,529) |
| From discontinued operations | **–** | (3,743) |
| | **32,427** | (7,272) |

| | **Number of shares** | |
|---|---|---|
| | **Year ended 31 December 2015 HK$'000** | Nine months ended 31 December 2014 HK$'000 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year/period used in the basic earnings per share calculation | **1,065,247,836** | 710,525,000 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **–** | – |
| | **1,065,247,836** | 710,525,000 |

The Company's share options have no dilutive effect for the year ended 31 December 2015 because the exercise prices of the Company's share options were higher than the average market price of the Company's shares for the year. For the prior period, the Company had no potentially dilutive ordinary shares in issue.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings HK$'000 | Plant and machinery HK$'000 | Furniture and fixtures HK$'000 | Office equipment HK$'000 | Leasehold improvements HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **31 December 2015** | | | | | | | |
| At 31 December 2014 and at 1 January 2015: | | | | | | | |
| Cost or valuation | – | 21,310 | 4,932 | 4,593 | 7,435 | 3,682 | 41,952 |
| Accumulated depreciation and impairment | – | (20,135) | (3,622) | (3,187) | (4,232) | (956) | (32,132) |
| Net carrying amount | – | 1,175 | 1,310 | 1,406 | 3,203 | 2,726 | 9,820 |
| At 1 January 2015, net of accumulated depreciation and impairment | – | 1,175 | 1,310 | 1,406 | 3,203 | 2,726 | 9,820 |
| Additions | – | 131 | 1,020 | 1,403 | 3,136 | 5,275 | 10,965 |
| Acquisition of assets through acquisition of subsidiaries | 73,413 | – | 7 | – | – | 1,712 | 75,132 |
| Acquisition of subsidiaries | – | – | 5 | 470 | – | – | 475 |
| Disposals | – | (748) | (37) | (86) | (117) | – | (988) |
| Depreciation provided during the year | (448) | (228) | (484) | (605) | (1,492) | (2,147) | (5,404) |
| Deficit on revaluation | (2,067) | – | – | – | – | – | (2,067) |
| Impairment | – | (94) | (93) | (284) | – | – | (471) |
| Exchange realignment | (698) | – | – | – | – | – | (698) |
| At 31 December 2015, net of accumulated depreciation and impairment | 70,200 | 236 | 1,728 | 2,304 | 4,730 | 7,566 | 86,764 |
| At 31 December 2015: | | | | | | | |
| Cost or valuation | 70,200 | 6,145 | 5,660 | 5,161 | 6,306 | 10,669 | 104,141 |
| Accumulated depreciation and impairment | – | (5,909) | (3,932) | (2,857) | (1,576) | (3,103) | (17,377) |
| Net carrying amount | 70,200 | 236 | 1,728 | 2,304 | 4,730 | 7,566 | 86,764 |

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Leasehold land and buildings | Plant and machinery | Furniture and fixtures | Office equipment | Cooking equipment | Leasehold improvements | Motor vehicles | Total |
|---|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| 31 December 2014 | | | | | | | | |
| At 1 April 2014: | | | | | | | | |
| Cost or valuation | 115,112 | 110,937 | 27,646 | 17,058 | 1,122 | 6,475 | 9,566 | 287,916 |
| Accumulated depreciation and impairment | – | (94,238) | (26,427) | (13,832) | (331) | (4,649) | (7,678) | (147,155) |
| Net carrying amount | 115,112 | 16,699 | 1,219 | 3,226 | 791 | 1,826 | 1,888 | 140,761 |
| At 1 April 2014, net of accumulated depreciation and impairment | 115,112 | 16,699 | 1,219 | 3,226 | 791 | 1,826 | 1,888 | 140,761 |
| Additions | – | 2,965 | 858 | 1,253 | 6 | 3,210 | 3,243 | 11,535 |
| Disposals | – | – | – | – | – | – | (84) | (84) |
| Depreciation provided during the period | (1,022) | (2,065) | (246) | (247) | (93) | (380) | (329) | (4,382) |
| Surplus on revaluation | 1,022 | – | – | – | – | – | – | 1,022 |
| Disposal of subsidiaries | (115,112) | (16,424) | (521) | (2,826) | (704) | (1,453) | (1,992) | (139,032) |
| At 31 December 2014, net of accumulated depreciation and impairment | – | 1,175 | 1,310 | 1,406 | – | 3,203 | 2,726 | 9,820 |
| At 31 December 2014: | | | | | | | | |
| Cost or valuation | – | 21,310 | 4,932 | 4,593 | – | 7,435 | 3,682 | 41,952 |
| Accumulated depreciation and impairment | – | (20,135) | (3,622) | (3,187) | – | (4,232) | (956) | (32,132) |
| Net carrying amount | – | 1,175 | 1,310 | 1,406 | – | 3,203 | 2,726 | 9,820 |

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by B.I. Appraisals Limited, independent professionally qualified valuers, at an aggregate open market value of HK$70,200,000 based on their existing use. A revaluation deficit of HK$2,067,000 resulting from the above valuation has been charged to the consolidated statement of profit or loss.

The directors of the Company have determined that the Group's building is a commercial building based on the nature, characteristics and risks of the property. Each year, the Group's chief financial officer decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's chief financial officer has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

**Fair value hierarchy**

The following table illustrates the fair value measurement hierarchy of the Group's leasehold land and buildings:

| | **Fair value measurement as at 31 December 2015 using** | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| Recurring fair value measurement for: | | | | |
| Commercial property | – | – | 70,200 | 70,200 |

The Company's leasehold land and buildings represented a commercial property and the fair value measurements as at 31 December 2015 using significant unobservable inputs (Level 3).

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

Had the leasehold land and building been carried at historical cost less accumulated depreciation and impairment losses, their carrying amount would have been approximately HK$72,267,000 (2014: Nil).

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

**Fair value hierarchy (Continued)**

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

| | Commercial properties HK$'000 |
|---|---|
| Carrying amount at 1 April 2014 | 115,112 |
| Depreciation provided during the period | (1,022) |
| Surplus on revaluation | 1,022 |
| Disposal of subsidiaries | (115,112) |
| Carrying amount at 31 December 2014 | – |
| Acquisition of assets through acquisition of subsidiaries *(note 34)* | 73,413 |
| Depreciation provided during the year | (448) |
| Deficit on revaluation | (2,067) |
| Exchange realignment | (698) |
| Carrying amount at 31 December 2015 | 70,200 |

The fair values of the leasehold land and buildings were determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties.

Below is a summary of the key inputs to the valuation of leasehold land and buildings:

| | **Significant unobservable inputs** | **Range 2015** | **Range 2014** |
|---|---|---|---|
| Commercial properties | Estimated rental value (per s.q.m and per month) | RMB160 – RMB185 | N/A |

The fair value of the leasehold land and buildings was based on the highest and best use of leasehold land and buildings in the Mainland China, which did not differ from their actual use.

A significant increase/(decrease) in the estimated rental value per square meter would result in a significant increase/(decrease) in the fair value of the leasehold land and buildings.

## 15. INVESTMENT PROPERTIES

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Carrying amount at beginning of year/period | **135,730** | 123,040 |
| Additions | **106,100** | – |
| Acquisition of assets through acquisition of subsidiary *(note 34)* | **225,000** | – |
| Net gain from a fair value adjustment *(note 5)* | **90,076** | 12,690 |
| Exchange realignment | **(4,006)** | – |
| Carrying amount at 31 December | **552,900** | 135,730 |

The Group's investment properties consist of five residential apartments and two car park spaces in Hong Kong, and one commercial building and one industrial property in Mainland China. The directors of the Company have determined that the investment properties consist of four classes of asset, i.e., commercial building, car park spaces, industrial property and residential apartments, based on the nature, characteristics and risks of each property.

The Group's investment properties were revalued on 31 December 2015 based on valuations performed by B.I. Appraisals Limited, independent professionally qualified valuers, at HK$552,900,000. Each year, the Group's chief financial officer decide, after approval from the Board of Directors to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's chief financial officer has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

At 31 December 2015, the Group's investment properties with a carrying value of HK$288,000,000 (2014: Nil) were pledged to secure a general banking facility granted to the Group (note 28).

Further particular of the Group's investment properties are included on page 144.

## 15. INVESTMENT PROPERTIES (Continued)

**Fair value hierarchy**

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

| | Fair value measurement as at 31 December 2015 using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'000 | Significant observable inputs (Level 2) HK$'000 | Significant unobservable inputs (Level 3) HK$'000 | Total HK$'000 |
| Recurring fair value measurement for: | | | | |
| Residential apartments | – | – | 334,400 | 334,400 |
| Car park spaces | – | – | 2,800 | 2,800 |
| Commercial building | – | – | 93,800 | 93,800 |
| Industrial property | – | – | 121,900 | 121,900 |
| | – | – | 552,900 | 552,900 |

| | Fair value measurement as at 31 December 2014 using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) HK$'000 | Significant observable inputs (Level 2) HK$'000 | Significant unobservable inputs (Level 3) HK$'000 | Total HK$'000 |
| Recurring fair value measurement for: | | | | |
| Residential apartments | – | – | 41,820 | 41,820 |
| Car park spaces | – | – | 2,010 | 2,010 |
| Commercial building | – | – | 91,900 | 91,900 |
| | – | – | 135,730 | 135,730 |

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

## 15. INVESTMENT PROPERTIES (Continued)

The fair values of the investment properties were determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

| **Investment properties held by the Group** | **Valuation techniques** | **Significant unobservable inputs** | **Range or weighted average** | |
|---|---|---|---|---|
| | | | **2015** | 2014 |
| Residential units in Festival City, Shatin, Hong Kong | Sales comparison method | Estimated sales value (per s.q.ft.) (HK$) | **10,230 to 14,578** | 11,336 to 12,666 |
| Residential unit in Parc Oasis, Kowloon, Hong Kong | Sales comparison method | Estimated sales value (per s.q.ft.) (HK$) | **14,132 to 18,836** | 14,629 to 15,803 |
| Residential unit in The Riverpark, Shatin, Hong Kong | Sales comparison method | Estimated sales value (per s.q.ft.) (HK$) | **11,378 to 18,813** | 12,958 to 14,596 |
| Residential unit in Bel-Air, Island South, Hong Kong | Sales comparison method | Estimated sales value (per s.q.ft.) (HK$) | **55,000 to 75,900** | N/A |
| Car park space in Festival City, Shatin, Hong Kong | Sales comparison method | Estimated sales value (per bay) (HK$ thousand) | **1,950 to 2,050** | 1,480 to 1,668 |
| Car park space in Parc Oasis, Kowloon, Hong Kong | Sales comparison method | Estimated sales value (per bay) (HK$ thousand) | **710 to 930** | 445 to 475 |
| Commercial building in Shenzhen, Guangdong Province, the PRC | Sales comparison method | Estimated sales value (per s.q.m) (RMB) | **70,000 to 75,000** | 60,450 to 62,720 |
| Industrial property in Shenzhen, Guangdong Province, the PRC | Income approach | Reversionary rental value (per s.q.m and per month) (RMB) | **20 to 24** | N/A |
| | | Yield rate | **4.8% to 5.0%** | N/A |

## 15. INVESTMENT PROPERTIES (Continued)

The sales comparison method is adopted by making reference to comparable market transactions in the assessment of the fair value of a property interest. The approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors, including the transaction date, location, traffic condition, environmental factors, commercial atmosphere and size of land, etc.

Under the income approach, the valuation is taken into account the net rental income of the properties derived from the existing leases and/or achievable in existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate.

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/decrease) in the fair value of the investment properties. A significant increase/(decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

## 16. GOODWILL

| | HK$'000 |
|---|---|
| Cost at 1 April 2014, 31 December 2014 and 1 January 2015 | – |
| Acquisition of a subsidiary *(note 33)* | 2,100 |
| At 31 December 2015 | 2,100 |
| At 31 December 2015: | |
| Cost and net carry amount, net of accumulated impairment | 2,100 |

## 16. GOODWILL (Continued)

**Impairment testing of goodwill**

Goodwill acquired through business combination is allocated to the securities brokerage cash-generating unit for impairment testing.

The recoverable amount of the securities brokerage cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 18.7% and the cash flows beyond the five-year period were extrapolated using a growth rate of 3.0%.

The carrying amount of goodwill allocated to the securities brokerage cash-generating unit is as follows:

| | HK$'000 |
|---|---|
| Carrying amount of goodwill | 2,100 |

Assumptions were used in the value in use calculation of the securities brokerage cash-generating unit for 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Financial budget* – The basis used to determine the value assigned to the financial budget is the best estimate based on the comparable of the same industry and 3.0% of long term growth rate is applied.

*Discount rates* – The discount rates used are before tax and reflect specific risks relating to the relevant units. The discount rate is consistent with external information sources.

## 17. OTHER INTANGIBLE ASSET

| **Trading right** | HK$'000 |
|---|---|
| Cost at 1 January 2015 | – |
| Acquisition of a subsidiary *(note 33)* | 4,400 |
| At 31 December 2015 | 4,400 |

Upon the adoption of HKAS 38, the trading right has been considered to have an indefinite life because it is expected to contribute to the net cash flows of the Group indefinitely, and is not amortised.

The other intangible asset is allocated to the securities brokerage cash-generating unit for impairment testing. Details of impairment testing is set out in note 16 to the financial statements.

## 18. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services on certain equipment in Mainland China to a related company (note 39(b)(v)). These leases are classified as finance leases and have remaining lease terms of five years.

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 |
| Finance lease receivables comprise: | | | | |
| Within one year | **2,085** | – | **1,601** | – |
| In the second to fifth years, inclusive | **7,526** | – | **6,546** | – |
| | **9,611** | – | **8,147** | – |
| Less: unearned finance income | **(1,464)** | – | | |
| Total net finance lease receivables | **8,147** | – | | |

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Analysed for reporting purposes as: | | |
| Current assets | **1,601** | – |
| Non-current assets | **6,546** | – |
| | **8,147** | – |

The Group's finance lease receivables are denominated in Renminbi ("RMB"), which is the functional currency of the relevant group entity.

Unguaranteed residual value of assets leased under finance leases at the end of the reporting period is zero (2014: Nil).

## 19. AVAILABLE-FOR-SALE INVESTMENTS

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Club and school debentures, at fair value | **13,844** | 7,344 |

## 20. INVENTORIES

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Raw materials | **100** | 377 |
| Work in progress | **–** | 31 |
| Finished goods | **7,784** | 3,194 |
| | **7,884** | 3,602 |

## 21. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Trade receivables | **86,335** | 32,533 |
| Impairment | **–** | (599) |
| | **86,335** | 31,934 |
| Receivables arising from securities broking conducted in the ordinary course of business: | | |
| Cash clients | **14,722** | – |
| Loans to margin clients | **101,436** | – |
| Receivables arising from securities broking | **116,158** | – |
| Total trade receivables and receivables arising from securities broking | **202,493** | 31,934 |

## 21. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit periods are generally one month to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, 26% (2014: 45%) and 77% (2014: 66%) of the Group's trade receivables were due from the Group's largest customer and the three largest customers respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables and receivables arising from securities broking as at the end of the reporting period, based on the invoiced date and net of provisions, is as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current to 30 days | **43,606** | 21,770 |
| 31 to 60 days | **11,892** | 7,881 |
| 61 to 90 days | **10,499** | 859 |
| Over 90 days | **35,060** | 1,424 |
| | **101,057** | 31,934 |
| Loans to margin clients# | **101,436** | – |
| | **202,493** | 31,934 |

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At beginning of year/period | **599** | 1,570 |
| Impairment loss recognised *(note 6)* | **–** | 190 |
| Amounts written off as uncollectible | **(407)** | – |
| Impairment loss reversed *(note 6)* | **(192)** | – |
| Amount released upon disposal of subsidiaries | **–** | (1,161) |
| | **–** | 599 |

## 21. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)

Included in the above provision for impairment of trade receivables as at 31 December 2014 was a provision for individually impaired trade receivables of HK$599,000 with a carrying amount before provision of HK$599,000.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and such receivables are not expected to be recovered.

The aged analysis of the trade receivables and receivables arising from securities broking that are not individually or collectively considered to be impaired is as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Neither past due nor impaired | **52,091** | 21,668 |
| Less than 1 month past due | **13,064** | 7,808 |
| 1 to 3 months past due | **23,771** | 2,272 |
| Over 3 months past due | **12,131** | 186 |
| | **101,057** | 31,934 |
| Loans to margin clients# | **101,436** | – |
| | **202,493** | 31,934 |

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

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

# The loans to margin clients are secured by the underlying pledged securities, are repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as, in the opinion of the directors, an aged analysis is not relevant in view of the nature of the business of securities margin financing. As at 31 December 2015, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$207,827,000.

## 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2015 | 2014 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Prepayments | 14,809 | 2,438 |
| Deposits and other receivables | 7,748 | 15,236 |
| | 22,557 | 17,674 |
| Impairment | – | (3,458) |
| | 22,557 | 14,216 |
| Analysed for reporting purposes as: | | |
| Current assets | 8,679 | 14,216 |
| Non-current assets | 13,878 | – |
| | 22,557 | 14,216 |

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

| | 2015 | 2014 |
|---|---|---|
| | HK$'000 | HK$'000 |
| At beginning of year/period | 3,458 | 3,693 |
| Amounts written off as uncollectible | (3,458) | – |
| Amount released upon disposal of subsidiaries | – | (235) |
| | – | 3,458 |

Included in the above provision for impairment of other receivables in the prior year was a provision for individually impaired other receivables of HK$3,458,000 with a carrying amount before provision of HK$3,458,000.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and such receivables are not expected to be recovered.

## 23. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Listed equity investment, at market value | **14,646** | – |

The above equity investment at 31 December 2015 was classified as held for trading and was, upon initial recognition, designated by the Group as a financial asset at fair value through profit or loss.

## 24. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold securities clients' monies arising from its securities brokerage business. The Group has classified the clients' monies as "Cash held on behalf of clients" under the current assets and recognised the corresponding liabilities to respective clients on grounds that the Group is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

## 25. CASH AND CASH EQUIVALENTS

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Cash and bank balances | **107,846** | 143,950 |
| Cash placed at securities brokerage firms | **–** | 20,000 |
| Time deposits | **102,760** | 117,538 |
| | **210,606** | 281,488 |
| Less: Pledged time deposit | **(102,760)** | (105,500) |
| Cash and cash equivalents | **107,846** | 175,988 |

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$131,318,000 (2014: HK$106,111,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one month and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

## 26. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Trade payables | **5,748** | 5,192 |
| Payables arising from securities broking conducted in the ordinary course of business: | | |
| Cash clients accounts payable | **22,558** | – |
| Clearing house | **4,880** | – |
| Payables arising from securities broking | **27,438** | – |
| Total trade payables and payables arising from securities broking | **33,186** | 5,192 |

An aged analysis of trade payables and payables arising from securities broking as at the end of the reporting period, based on invoice date, is as follows:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Current to 30 days | **7,246** | 1,586 |
| 31 to 60 days | **1,268** | 1,750 |
| 61 to 90 days | **805** | 836 |
| Over 90 days | **1,309** | 1,020 |
| | **10,628** | 5,192 |
| Cash clients accounts payable | **22,558** | – |
| | **33,186** | 5,192 |

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

Included in the cash clients accounts payable arising from dealing in securities conducted in the ordinary course of business is an amount of approximately HK$6,806,000 representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2015, the cash clients accounts payable included an amount of HK$132,000 in respect of certain directors' undrawn monies/excess deposits placed with the Group. The cash clients accounts payable are repayable on demand and non-interest-bearing. No aged analysis is disclosed as, in the opinion of the directors, an aged analysis is not meaningful in view of the nature of the business of dealing in securities.

## 27. OTHER PAYABLES AND ACCRUALS

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Other payables | **2,235** | 486 |
| Accruals | **13,291** | 13,667 |
| | **15,526** | 14,153 |

Other payables are non-interest-bearing and have an average payment term of three months.

## 28. INTEREST-BEARING BANK BORROWINGS

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate (%)** | **Maturity** | **HK$'000** | Effective interest rate (%) | Maturity | HK$'000 |
| **Current** | | | | | | |
| Bank loans – secured | Hong Kong Interbank Offered Rate ("HIBOR") +1.4% to 1.5% p.a. | Within 1 year or on demand | 186,760 | HIBOR +1.5% p.a. | Within 1 year or on demand | 100,000 |
| Bank overdraft – secured | | Within 1 year or on demand | 65 | | | – |
| | | | 186,825 | | | 100,000 |

## 28. INTEREST-BEARING BANK BORROWINGS (Continued)

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Analysed into: | | |
| Bank loans and overdraft repayable: | | |
| Within one year or on demand | **186,825** | 100,000 |

*Notes:*

(a) The Group's banking facilities amounted to HK$200,000,000 (2014: HK$100,000,000), of which HK$186,825,000 (2014: HK$100,000,000) had been utilised as at the end of the reporting period.

(b) Certain of the Group's bank loans and overdraft were secured by the Company's guarantee of up to HK$220,000,000 and a mortgage over the Group's investment property situated in Hong Kong, which had a carrying value at the end of the reporting period of HK$288,000,000.

(c) A bank loan of the Group was secured by the pledge of a time deposit amounting to HK$102,760,000 (2014: HK$105,500,000).

(d) All bank borrowings are denominated in Hong Kong dollars.

## 29. DEFERRED TAX

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

**Deferred tax liabilities**

| | Depreciation allowance in excess of related depreciation HK$'000 | Revaluation of properties HK$'000 | Tax losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2014 | (3,097) | 38,912 | (835) | 34,980 |
| Eliminated on disposal through disposal of subsidiaries | 3,832 | (11,912) | – | (8,080) |
| Deferred tax charged/(credited) to the statement of profit or loss during the period *(note 10)* | 33 | 5,827 | (45) | 5,815 |
| Deferred tax charged to asset revaluation reserve during the period | – | 224 | – | 224 |
| At 31 December 2014 and 1 January 2015 | 768 | 33,051 | (880) | 32,939 |
| Deferred tax charged to the statement of profit or loss during the year *(note 10)* | 92 | 14,474 | – | 14,566 |
| Exchange realignment | – | (1,430) | – | (1,430) |
| At 31 December 2015 | 860 | 46,095 | (880) | 46,075 |

**Deferred tax assets**

| | Depreciation in excess of related depreciation allowance HK$'000 | Revaluation of properties HK$'000 | Tax losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2014 | 413 | (16) | (987) | (590) |
| Eliminated on disposal through disposal of subsidiaries | (610) | 16 | 987 | 393 |
| Deferred tax charged to the statement of profit or loss during the period *(note 10)* | 60 | – | – | 60 |
| At 31 December 2014 and 1 January 2015 | (137) | – | – | (137) |
| Deferred tax charged to the statement of profit or loss during the year *(note 10)* | 106 | – | – | 106 |
| At 31 December 2015 | (31) | – | – | (31) |

## 29. DEFERRED TAX (Continued)

The Group has tax losses arising in Hong Kong of HK$63,094,000 (2014: HK$17,493,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$4,206,000 (2014: Nil) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. No temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised at 31 December 2015 (2014: Nil). At 31 December 2015, there was no unremitted earnings (2014: Nil) of the Group's subsidiary established in Mainland China.

At 31 December 2015, there was no significant unrecognised deferred tax liability (2014: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries.

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

## 30. SHARE CAPITAL

**Shares**

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Authorised: | | |
| 20,000,000,000 ordinary shares of HK$0.10 each | **2,000,000** | 2,000,000 |
| Issued and fully paid: | | |
| 1,153,491,398 (2014: 794,191,398) ordinary shares of HK$0.10 each | **115,349** | 79,419 |

## 30. SHARE CAPITAL (Continued)

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

| | Number of ordinary shares in issue | Share capital HK$'000 |
|---|---|---|
| At 1 April 2014 | 635,353,119 | 63,535 |
| Rights issue *(note (a))* | 158,838,279 | 15,884 |
| At 31 December 2014 and 1 January 2015 | 794,191,398 | 79,419 |
| Issuance of new shares on subscription *(note (b))* | 360,000,000 | 36,000 |
| Repurchase and cancellation of shares *(note (c))* | (700,000) | (70) |
| At 31 December 2015 | 1,153,491,398 | 115,349 |

*Notes:*

(a) In the prior period, a rights issue of one rights share for every four existing shares held by members on the register of members on 15 October 2014 was made, at an issue price of HK$1.00 per rights share, resulting in the issue of 158,838,279 shares for a total cash consideration, before expenses, of HK$158,838,279.

(b) On 1 April 2015, the subscription of 360,000,000 new shares at a subscription price of HK$1.40 per share by Manureen Holdings Limited, the ultimate holding company, was completed.

(c) During the year, the Company repurchased a total of 700,000 of its own shares on the Stock Exchange for a total consideration of HK$1,746,000. The purchased shares were cancelled on 30 September 2015 and the premium paid on the repurchase of HK$1,676,000 was charged to the share premium account as set out in the consolidated statement of changes in equity.

### Share options

Details of the Company's share option scheme and the share options granted under the scheme is included in note 31 to the financial statements.

## 31. 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 and full time employees of the Group. The Scheme became effective on 10 August 2012 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 the date of approval of the Scheme on 10 August 2012. 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 vesting period of two years and ends on a date which is not later than ten years from the date of the grant of the option but subject to the provisions for early termination of the Scheme. Unless otherwise determined by the directors at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

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

## 31. SHARE OPTION SCHEME (Continued)

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

The following share options were outstanding under the Scheme during the year:

| | 2015 | |
|---|---|---|
| | Weighted average exercise price HK$ per share | Number of options '000 |
| At 1 January | – | – |
| Granted during the year | 4.11 | 11,960 |
| Forfeited during the year | 4.11 | (300) |
| At 31 December | | 11,660 |

No share options were vested or exercised during the year ended 31 December 2015 (2014: Nil).

The fair value of the share options granted on 20 May 2015 was HK$22,246,000 (HK$1.86 each) (2014: Nil), of which the Group recognised a share option expense of HK$6,876,000 (2014: Nil) during the year ended 31 December 2015.

The fair value of equity-settled share options granted on 20 May 2015 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

| | 2015 |
|---|---|
| Dividend yield (%) | 0 |
| Expected volatility (%) | 60 |
| Historical volatility (%) | 60 |
| Risk-free interest rate (%) | 1.86 |
| Exercise multiple (times) | 1.5 |
| Expected life of options (year) | 10 |
| Weighted average share price (HK$ per share) | 4.11 |

## 31. SHARE OPTION SCHEME (Continued)

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 11,660,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 11,660,000 additional ordinary shares of the Company and additional share capital and share premium of HK$1,166,000 and HK$46,756,600 (before issue expenses).

At the date of approval of these financial statements, the Company had 11,660,000 share options outstanding under the Scheme, which represented approximately 1.01% of the Company's shares in issue as at that date. The total number of shares of the Company available for issue under the Scheme is 63,535,311, representing approximately 5.5% of the Company's shares in issue at that date.

## 32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 40 to 41 of the financial statements.

## 33. BUSINESS COMBINATION

On 8 May 2015, the Group acquired a 100% interest in Realord Manureen Securities Limited ("Realord Manureen Securities") (formerly known as "Manureen Securities Limited") from Madam Su Jiaohua, the substantial shareholder of the Company. Realord Manureen Securities is principally engaged in the provision of securities brokerage services. The acquisition was made as part of the Group's strategy to participate in the securities trading industry and allow the Group to diversify from its existing businesses. The purchase consideration for the acquisition, in the form of cash, was HK$18,812,000 which was fully settled during the year. The acquisition was a related party transaction and constituted a connected transaction as defined in Chapter 14A of the Listing Rules.

## 33. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of Realord Manureen Securities as at the acquisition date were as follows:

| | Notes | Fair value recognised on acquisition HK$'000 |
|---|---|---|
| Property, plant and equipment | 14 | 475 |
| Other intangible asset | 17 | 4,400 |
| Deposits | | 275 |
| Receivables arising from securities broking | | 12,806 |
| Prepayments | | 71 |
| Cash held on behalf of clients | | 10,663 |
| Cash and bank balances | | 10,196 |
| Payables arising from securities broking | | (21,564) |
| Other payables and accruals | | (610) |
| Total identifiable net assets at fair value | | 16,712 |
| Goodwill on acquisition | | 2,100 |
| Satisfied by cash | | 18,812 |

The fair values of the receivables arising from securities broking as at the date of acquisition amounted to HK$12,806,000. No receivables are expected to be uncollectible.

The Group incurred transaction costs of HK$245,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss.

## 33. BUSINESS COMBINATION (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

| | HK$'000 |
|---|---|
| Cash consideration | (18,812) |
| Cash and bank balances acquired | 10,196 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (8,616) |
| Transaction costs of the acquisition included in cash flows from operating activities | (245) |
| | (8,861) |

Since the acquisition, Realord Manureen Securities contributed HK$4,961,000 to the Group's revenue and incurred a loss of HK$1,239,000 which was included in the Group's results for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$202,982,000 and HK$30,770,000, respectively.

## 34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

(a) On 6 June 2015, the Group acquired 100% equity interest in Concept Star Corporation Limited ("Concept Star"), from an independent third party, at a cash consideration of HK$225,517,000. Concept Star is engaged in investment holding.

(b) On 17 March 2015, the Group acquired 100% equity interest in Lake King Holdings Limited and its subsidiary ("Lake King Group"), from Mr. Lin Jingming, who is the father of Dr. Lin Xiaohui, a substantial shareholder of the Company, at a cash consideration of HK$2,000,000. Lake King Group is engaged in investment holding. The acquisition was a related party transaction and constituted a connected transaction as defined in Chapter 14A of the Listing Rules.

(c) On 11 November 2015, the Group acquired 100% equity interest in Manureen Group Holdings Limited and its subsidiaries ("Manureen Group"), from Dr. Lin Xiaohui and Madam Su Jiaohua, the substantial shareholders of the Company, at a cash consideration of HK$48,000,000. Manureen Group is engaged in investment in property and financial assets. The acquisition was a related party transaction and constituted a connected transaction as defined in Chapter 14A of the Listing Rules.

## 34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

All of the above transactions were accounted for as purchases of assets and liabilities rather than as business combinations because Concept Star, Lake King Group and Manureen Group have not carried out any significant business transactions prior to the date of acquisition.

The assets acquired in the above acquisitions are as follows:

**Concept Star**

| | HK$'000 |
|---|---|
| Investment property | 225,000 |
| Prepayments, deposits and other receivables | 157 |
| Shareholder's loan | (130,517) |
| Net assets | 94,640 |
| Assignment of a shareholder's loan | 130,517 |
| Satisfied by cash | 225,157 |
| Cash consideration | (225,157) |
| Cash and bank balances acquired | – |
| Net outflow of cash and cash equivalents | (225,157) |

**Lake King Group**

| | HK$'000 |
|---|---|
| Property, plant and equipment | 1,719 |
| Prepayments, deposits and other receivables | 22 |
| Cash and bank balances | 273 |
| Other payables | (14) |
| Net assets | 2,000 |
| Satisfied by cash | 2,000 |
| Cash consideration | (2,000) |
| Cash and bank balances acquired | 273 |
| Net outflow of cash and cash equivalents | (1,727) |

## 34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

**Manureen Group**

| | HK$'000 |
|---|---|
| Property, plant and equipment | 73,413 |
| Finance lease receivables | 8,592 |
| Cash and bank balances | 3,122 |
| Shareholder's loan | (11,826) |
| Due to a related company | (37,070) |
| Other payables and accruals | (57) |
| Net assets | 36,174 |
| Assignment of shareholder's loan | 11,826 |
| Satisfied by cash | 48,000 |
| Cash consideration | 48,000 |
| Cash and bank balances acquired | (3,122) |
| Net outflow of cash and cash equivalents | (44,878) |

## 35. DISPOSAL OF SUBSIDIARIES

As disclosed in note 11, the Company and Harmony Link had entered into the Asset Reorganisation Agreement pursuant to which the Company conditionally agreed to sell and Harmony Link conditionally agreed to purchase the entire equity interest of Brilliant Stage Group. The net assets of Brilliant Stage Group at the date of the disposal on 20 June 2014 were as follows:

| | As at 20 June 2014 HK$'000 |
|---|---|
| **Net assets disposed of:** | |
| Property, plant and equipment | 139,032 |
| Prepaid lease payments | 2,624 |
| Other asset | 1,100 |
| Inventories | 27,261 |
| Trade receivables | 128,485 |
| Prepayments, deposits and other receivables | 13,800 |
| Cash and cash equivalents | 23,348 |
| Tax recoverable | 250 |
| Trade payables | (81,414) |
| Other payables and accruals | (42,188) |
| Financial liabilities at fair value through profit or loss | (1,835) |
| Interest-bearing bank borrowings | (13,200) |
| Tax payables | (8,417) |
| Deferred tax liabilities | (7,687) |
| | 181,159 |
| Exchange reserve released on disposal | 68 |
| Loss on disposal of subsidiaries included in loss for the period from discontinued operations *(note 11)* | (1,227) |
| | 180,000 |
| Satisfied by: | |
| Cash | 180,000 |

## 35. DISPOSAL OF SUBSIDIARIES (Continued)

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

| | As at 20 June 2014 HK$'000 |
|---|---|
| Cash consideration | 180,000 |
| Cash and bank balances disposed of | (23,348) |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | 156,652 |

## 36. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTEREST

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

| | 2014 |
|---|---|
| Percentage of equity interest held by non-controlling interest: | |
| Realord Vehicle Parts Limited | 40% |

| | Nine months ended 31 December 2014 HK$'000 |
|---|---|
| Profit for the period allocated to non-controlling interest: | |
| Realord Vehicle Parts Limited | 456 |

| | 2014 HK$'000 |
|---|---|
| Accumulated balance of non-controlling interest at the reporting date: | |
| Realord Vehicle Parts Limited | 12,456 |

## 36. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTEREST (Continued)

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

| | Nine months ended 31 December 2014 HK$'000 |
|---|---|
| Realord Vehicle Parts Limited | |
| Revenue | 23,855 |
| Total expenses | (22,716) |
| Profit for the period | 1,139 |
| Total comprehensive income for the period | 1,139 |

| | 2014 HK$'000 |
|---|---|
| Current assets | 31,384 |
| Non-current assets | 46 |
| Current liabilities | (30,290) |
| Non-current assets | – |
| Capital contributed by non-controlling interest by way of a shareholder's loan | 12,000 |

| | Nine months ended 31 December 2014 HK$'000 |
|---|---|
| Net cash flows (used in) operating activities | (24,482) |
| Net cash flows (used in) investing activities | (46) |
| Net cash flows from financing activities | 30,000 |
| Net increase in cash and cash equivalents | 5,472 |

## 37. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases certain investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **5,303** | 5,531 |
| In the second to fifth years, inclusive | **4,910** | 10,650 |
| | **10,213** | 16,181 |

### (b) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for these properties and other assets are negotiated for terms ranging from one to three years (2014: one to four 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 | **18,238** | 19,352 |
| In the second to fifth years, inclusive | **31,328** | 49,282 |
| | **49,566** | 68,634 |

## 38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37 above, the Group had the following capital commitments at the end of the reporting period:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Contracted, but not provided for: | | |
| Investment property | **4,600** | – |
| Leasehold improvements | **–** | 343 |
| Office equipment | **–** | 2,340 |
| | **4,600** | 2,683 |

## 39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year/period:

| | Notes | **Year ended 31 December 2015** | Nine months ended 31 December 2014 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| Commission paid to the ultimate holding company | (i) | **–** | 1,481 |
| Financial advisory services provided by a related party | (ii) | **–** | 1,316 |

*Notes:*

(i) Commission paid to the ultimate holding company was underwriting commission paid for rights issue, and the transaction was carried out on terms agreed between the parties.

(ii) The spouse of Mr. Lui Shing Ming, Brian, who resigned as a director of the Company on 18 July 2014, is a member of the key management personnel in a company which provided financial advisory services to the Group. The transactions were carried out on terms mutually agreed between the relevant parties.

## 39. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties:

(i) During the year, the Group acquired Lake King Group at a cash consideration of HK$2,000,000 from Mr. Lin Jingming, who is the father of Dr. Lin Xiaohui and Mr. Lin Xiaodong, both of whom are directors of the Company. Further details of the transaction are included in note 34 to the financial statements.

(ii) During the year, the Group acquired Realord Manureen Securities from Madam Su Jiaohua, a substantial shareholder of the Company, at a consideration of HK$18,812,000. Further details of the transaction are included in note 33 to the financial statements.

(iii) During the year, the Company issued 360,000,000 shares of the Company to Manureen Holdings Limited, the ultimate holding company of the Company, at the subscription price of HK$1.40 per share.

(iv) During the year, the Group acquired Manureen Group together with its shareholder's loan from Dr. Lin Xiaohui and Madam Su Jiaohua, both of whom are directors and substantial shareholders of the Company, at a cash consideration of HK$48,000,000. Further details of the transaction are included in note 34 to the financial statements.

(v) During the year, the Group had finance lease receivables due from a company jointly owned by Dr. Lin Xiaohui and Madam Su Jiaohao, both of whom are directors and substantial shareholders of the Company. The Group received interest income arising from such finance lease receivables amounting to HK$236,000 during the year, which was based on the prevailing market rate.

(vi) In the prior period, the Group disposed of Brilliant Stage Group for a cash consideration of HK$180,000,000 as mentioned in note 11 to Harmony Link, in which the former directors of the Company, Mr. Lui Shing Ming, Brian, Mr. Lui Sing Cheong and Mr. Lui Shing Chung, Victor, who resigned on 18 July 2014, had beneficial interest.

The related party transactions in respect of items (i), (ii), (iii), (iv) and (v) above also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

## 39. RELATED PARTY TRANSACTIONS (Continued)

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

| | Year ended 31 December 2015 HK$'000 | Nine months ended 31 December 2014 HK$'000 |
|---|---|---|
| Short term employee benefits | **5,910** | 4,700 |
| Post-employment benefits | **39** | 348 |
| Equity-settled share option expense | **2,749** | – |
| | **8,698** | 5,048 |
| Compensation of a former director's spouse of the Group: | | |
| Short term employee benefits | **–** | 170 |
| Post-employment benefits | **–** | 5 |
| | **–** | 175 |

Further details of directors' emoluments are included in note 8 to the financial statements.

## 40. FINANCIAL INSTRUMENTS BY CATEGORY

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

**2015**

**Financial assets**

| | Financial assets at fair value through profit or loss – held for trading HK$'000 | Loans and receivables HK$'000 | Available-for-sale financial assets HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Available-for-sale investments | – | – | 13,844 | 13,844 |
| Trade receivables | – | 86,335 | – | 86,335 |
| Receivables arising from securities broking | – | 116,158 | – | 116,158 |
| Financial assets included in prepayments, deposits and other receivables | – | 7,748 | – | 7,748 |
| Finance lease receivables | – | 8,147 | – | 8,147 |
| Equity investment at fair value through profit or loss | 14,646 | – | – | 14,646 |
| Cash held on behalf of clients | – | 10,443 | – | 10,443 |
| Pledged time deposit | – | 102,760 | – | 102,760 |
| Cash and cash equivalents | – | 107,846 | – | 107,846 |
| | 14,646 | 439,437 | 13,844 | 467,927 |

**Financial liabilities**

| | Financial liabilities at amortised cost HK$'000 |
|---|---|
| Trade payables | 5,748 |
| Payables arising from securities broking | 27,438 |
| Financial liabilities included in other payables and accruals | 10,619 |
| Interest-bearing bank borrowings | 186,825 |
| | 230,630 |

## 40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

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

**2014**

**Financial assets**

| | Loans and receivables HK$'000 | Available-for-sale financial assets HK$'000 | Total HK$'000 |
|---|---|---|---|
| Available-for-sale investments | – | 7,344 | 7,344 |
| Trade receivables | 31,934 | – | 31,934 |
| Financial assets included in prepayments, deposits and other receivables | 9,146 | – | 9,146 |
| Pledged time deposit | 105,500 | – | 105,500 |
| Cash and cash equivalents | 175,988 | – | 175,988 |
| | 322,568 | 7,344 | 329,912 |

**Financial liabilities**

| | Financial liabilities at amortised cost HK$'000 |
|---|---|
| Trade payables | 5,192 |
| Financial liabilities included in other payables and accruals | 11,243 |
| Interest-bearing bank borrowings | 100,000 |
| | 116,435 |

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

The available-for-sale investments and equity investment at fair value through profit or loss were carried at fair values at the end of the reporting period.

Management has assessed that the fair values of trade receivables, receivables arising from securities broking, financial assets included in prepayments, deposits and other receivables, finance lease receivables, pledged time deposit, cash held on behalf of clients, cash and cash equivalents, trade payables, payables arising from securities broking, financial liabilities included in other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's account department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The account manager reports directly to the chief financial officer. At each reporting date, the account department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the Board of Directors annually.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of non-current finance lease receivables and non-current deposits paid have been calculated by discounting the expected future cash flows using rate currently available for instruments with similar terms, credit risk and remaining maturities. Such discounting effect was assessed to be insignificant as at 31 December 2015.

The fair values of available-for-sale investments and equity investment at fair value through profit or loss are based on quoted market prices.

## 41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

**Fair value hierarchy**

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

*Assets measured at fair value:*

**As at 31 December 2015**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| Available-for-sale investments | 13,844 | – | – | 13,844 |
| Equity investment at fair value through profit or loss | 14,646 | – | – | 14,646 |
| | 28,490 | – | – | 28,490 |

As at 31 December 2014

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Available-for-sale investments | 7,344 | – | – | 7,344 |

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

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

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, pledged time deposit, cash and cash equivalents. 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 and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board reviews and agrees policies for managing such risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

**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 borrowing with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in notes 28 to the financial statements. The Group's policy is to obtain the most favorable interest rates available for its borrowings. Management monitors interests rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors consider that any potential possible change in market interest rates will have minimal impact on the Group's profit or loss after taxation for the year and therefore no sensitivity analysis was provided in respect of potential movements in interest rates.

**Foreign currency risk**

The Group has transactional currency exposures. These exposures arise from revenue or expenses by operating units in currencies other than the units' functional currencies. The Group's monetary assets, financing and transactions are principally denominated in RMB and HK$. The Group is exposed to the foreign exchange risk arising from changes in the exchange rate of HK$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

**Foreign currency risk (Continued)**

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

| | Increase/ (decrease) in RMB rate | Increase/ (decrease) in profit before tax | Increase/ (decrease) in equity |
|---|---|---|---|
| | % | HK$'000 | HK$'000 |
| **2015** | | | |
| If the Hong Kong dollar weakens against RMB | 3 | 3,090 | 3,090 |
| If the Hong Kong dollar strengthens against RMB | (3) | (3,090) | (3,090) |
| 2014 | | | |
| If the Hong Kong dollar weakens against the RMB | 3 | 3,165 | 3,165 |
| If the Hong Kong dollar strengthens against the RMB | (3) | (3,165) | (3,165) |

**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 monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise available-for-sale investment, other receivables, finance lease receivables, cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flow from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

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:

**Group**

| | | **2015** | | |
|---|---|---|---|---|
| | **On demand** | **Less than 1 years** | **1 to 5 years** | **Total** |
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| Trade payables | – | 5,748 | – | 5,748 |
| Payables arising from securities broking | 6,806 | 20,632 | – | 27,438 |
| Financial liabilities included in other payables and accruals | – | 10,619 | – | 10,619 |
| Interest-bearing bank borrowings | 186,825 | – | – | 186,825 |
| | 193,631 | 36,999 | – | 230,630 |

| | | 2014 | | |
|---|---|---|---|---|
| | On demand | Less than 1 years | 1 to 5 years | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Trade payables | – | 5,192 | – | 5,192 |
| Financial liabilities included in other payables and accruals | – | 11,243 | – | 11,243 |
| Interest-bearing bank borrowings | 100,000 | – | – | 100,000 |
| | 100,000 | 16,143 | – | 116,435 |

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

**Equity price risk**

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The fair values of these listed equity investments are affected by market forces and other factors. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 23) as at 31 December 2015. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts as at the end of the reporting period.

| | Carrying amount of equity investments HK$'000 | Increase/ decrease in profit before tax HK$'000 | Increase/ decrease in equity HK$'000 |
|---|---|---|---|
| **2015** | | | |
| Investments listed in Hong Kong: | | | |
| Held-for-trading | 14,646 | 1,465 | 1,465 |

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

**Capital management**

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. 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 the total interest-bearing bank borrowings divided by total equity. The Group's policy is to maintain the gearing ratio at an appropriate level. The gearing ratios as at the end of the reporting periods are as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest-bearing bank borrowings | **186,825** | 100,000 |
| Equity attributable to owners of the Company | **854,412** | 331,464 |
| Gearing ratio | **22%** | 30% |

## 43. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables represent details of financial instruments subject to offsetting at 31 December 2015.

| | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position | Net amounts of financial assets presented in the consolidated statement of financial position | Related amounts not set off in the consolidated statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral pledge | |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 31 December 2015 | | | | | | |
| Assets | | | | | | |
| Receivables arising from securities broking | 137,035 | (20,877) | 116,158 | – | – | 116,158 |

| | Gross amounts of recognised financial liabilities | Gross amounts of recognised financial assets set off in the consolidated statement of financial position | Net amounts of financial liabilities presented in the consolidated statement of financial position | Related amounts not set off in the consolidated statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral pledge | |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 31 December 2015 | | | | | | |
| Liabilities | | | | | | |
| Payables arising from securities broking | 48,315 | (20,877) | 27,438 | – | – | 27,438 |

## 44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | **4,141** | 4,697 |
| Investments in subsidiaries | **68,018** | 68,018 |
| Total non-current assets | **72,159** | 72,715 |
| CURRENT ASSETS | | |
| Due from subsidiaries | **772,482** | 202,288 |
| Prepayments, deposits and other receivables | **5,318** | 5,212 |
| Cash and cash equivalents | **29,615** | 27,323 |
| Total current assets | **807,415** | 234,823 |
| CURRENT LIABILITIES | | |
| Due to subsidiaries | **95,886** | 2,063 |
| Other payables and accruals | **3,586** | 4,782 |
| Total current liabilities | **99,472** | 6,845 |
| NET CURRENT ASSETS | **707,943** | 227,978 |
| Net assets | **780,102** | 300,693 |
| EQUITY | | |
| Share capital | **115,349** | 79,419 |
| Reserves (note) | **664,753** | 221,274 |
| Total equity | **780,102** | 300,693 |

## 44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

*Note:*

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

| | Share premium account HK$'000 | Contributed surplus HK$'000 | Share option reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Balance at 1 April 2014 | 107,390 | 116,795 | – | 2,480 | 226,665 |
| Total comprehensive income for the period | – | – | – | 170,813 | 170,813 |
| Special 2014 dividend | – | – | – | (317,677) | (317,677) |
| Reduction of share premium and contributed surplus | (107,390) | (116,795) | – | 224,185 | – |
| Rights issue | 141,473 | – | – | – | 141,473 |
| At 31 December 2014 | 141,473 | – | – | 79,801 | 221,274 |
| Total comprehensive loss for the year | – | – | – | (29,792) | (29,792) |
| Issuance new shares on subscription | 468,000 | – | – | – | 468,000 |
| Repurchase of shares | (1,676) | – | – | – | (1,676) |
| Equity-settled share option arrangements | – | – | 6,947 | – | 6,947 |
| Transfer of share option reserve upon the forfeiture of share options | – | – | (71) | 71 | – |
| At 31 December 2015 | 607,797 | – | 6,876 | 50,080 | 664,753 |

The contributed surplus of the Company arose as a result of the same group reorganisation scheme carried out on 24 December 1996 and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefor. In accordance with the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances.

Pursuant to a special general meeting held on 11 June 2014, ordinary resolutions in respect of the proposed share premium reduction, the asset reorganisation and special distribution as detailed in the Company' announcement on 23 April 2014 and the circular of the Company on 26 May 2014 have been passed. The share premium reduction was effect on 11 June 2014, the asset reorganisation was completed on 20 June 2014 and the special distribution was paid in July 2014.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

## 45. PARTICULARS OF SUBSIDIARIES

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

| Name of subsidiary | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Easy Yield Ventures Limited | British Virgin Islands | US$1,000 ordinary shares | 100 | – | Investment holding |
| Elite Trend Developments Limited | British Virgin Islands | US$1,000 ordinary shares | 100 | – | Investment holding |
| Realord Asset Management Limited | Hong Kong | HK$10,000 ordinary shares | 100 | – | Assets management and investment holding |
| Realord (BVI) Enterprises Limited (formerly known as Cheong Ming (BVI) Enterprises Limited) | British Virgin Islands | HK$10,000 ordinary shares | 100 | – | Investment holding |
| Realord Investment Enterprises Limited (formerly known as CM Investment Enterprises Limited) | British Virgin Islands | US$1 ordinary share | 100 | – | Investment holding |
| Realord Manureen Financial Group Limited (formerly known as Allied Time Investments Limited) | British Virgin Islands | US$1,000 ordinary shares | 100 | – | Investment holding |
| Realord Real Estate Investment Limited | British Virgin Islands | US$1,000 ordinary shares | 100 | – | Investment holding |

## 45. PARTICULARS OF SUBSIDIARIES (Continued)

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

| Name of subsidiary | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Capital Conference Services Limited | Hong Kong | HK$10,000 ordinary shares | – | 100 | Provision of conference services |
| Capital Financial Press Limited | Hong Kong | HK$800,000 ordinary shares | – | 100 | Commercial printing |
| Chun Ming Printing Factory Company Limited | Hong Kong | HK$150,000 ordinary shares | – | 100 | Manufacture and sale of hangtags, labels and shirt paper boards |
| Concept Star* | Hong Kong | HK$2 ordinary shares | – | 100 | Property investment |
| Easy Bloom Investment Limited | Hong Kong | HK$1 ordinary share | – | 100 | Property investment and investment holding |
| Lake King Holdings Limited* | Hong Kong | HK$1 ordinary share | – | 100 | Investment holding |
| Manureen Group Holdings Limited* | Hong Kong | HK$10,000 ordinary shares | – | 100 | Investment holding |
| Manureen International Commerce Company Limited (formerly known as Capital Translation Services Limited) | Hong Kong | HK$500,000 ordinary shares | – | 100 | Investment holding (2014: provision of translation services) |
| Realord E-Commerce Limited | Hong Kong | HK$10,000 ordinary shares | – | 100 | Trading of products |
| Realord Manureen Securities* | Hong Kong | HK$140,000,000 ordinary shares | – | 100 | Provision of securities broking services and margin financing |
| Realord Vehicle Parts Limited | Hong Kong | HK$10,000 ordinary shares | – | 100 (2014: 60) | Distribution and sale of motor vehicle parts |

## 45. PARTICULARS OF SUBSIDIARIES (Continued)

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

| Name of subsidiary | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 偉祿商業(深圳)有限公司*# | PRC/Mainland China | Paid-up capital of HK$36,000,000 | – | 100 | Trading of electronic products and computer components/property investment (2014: provision of business services) |
| 偉祿網絡科技（深圳）有限公司*# | PRC/Mainland China | Paid-up capital of US$149,982 | – | 100 | Development and sale of e-commerce technology/ trading of products |
| 深圳市偉祿商業控股有限公司* | PRC/Mainland China | Paid-up capital of RMB32,000,000 | – | 100 | Property investment |
| 前海美林融資租賃（深圳）有限公司*# | PRC/Mainland China | Paid-up capital of US$6,506,880 | – | 100 | Provision of financial leasing services |
| 前海偉祿跨境電子商務（深圳）有限公司*# | PRC/Mainland China | Paid-up capital of HK$115,000,000 | – | 100 | Development and sale of e-commerce platform/ trading of products |

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

# The subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

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

## 46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2016.

# PARTICULARS OF INVESTMENT PROPERTIES

Particulars of the major investment properties held by the Group at the end of the reporting period are as follows:

| Location | Use/Status | Type | Tenure | Attributable interest of the Group |
|---|---|---|---|---|
| **Hong Kong** | | | | |
| House No. 25, Villa Bel-Air, Bel-Air on the Peak, Island South, No. 25 Bel-Air Peak Rise, Hong Kong | Vacant | Residential | Medium term lease | 100% |
| **Mainland China** | | | | |
| Units 3306 to 3310, 33rd Floor, Excellence Time Square, Junction of Yi Tian Road and Fu Hua Road Central District, Fu Tian District, Shenzhen, Guangdong Province, the PRC | Rental | Commercial | Medium term lease | 100% |
| The Land and a factory compound and two dormitory buildings erected on the Land which are situated at Zhangkeng Residents' Association of Zhangkengjing Community, Guanlan Street, Baoan District, Shenzhen, the PRC | Rental | Industrial | Medium term lease | 100% |