LERADO
LERADO FINANCIAL GROUP
隆成金融集團

Lerado Financial Group Company Limited

Stock Code : 1225

Annual Report 2015

Contents

Corporate Information

EXECUTIVE DIRECTORS

MAK Kwong Yiu
(Chairman and Chief Executive Officer)
HUANG Ying Yuan
(Honorary Chairman)
CHEN Chun Chieh
HUANG Shen Kai
LAI Kin Chung, Kenneth

INDEPENDENT NON-EXECUTIVE DIRECTORS

LAM Chak Man
YE Jianxin
CHERN Shyh Feng
HSU Hong Te

AUDIT COMMITTEE

LAM Chak Man (Chairman)
YE Jianxin
CHERN Shyh Feng
HSU Hong Te

REMUNERATION COMMITTEE

LAM Chak Man (Chairman)
MAK Kwong Yiu
LAI Kin Chung, Kenneth
YE Jianxin
CHERN Shyh Feng
HSU Hong Te

NOMINATION COMMITTEE

MAK Kwong Yiu (Chairman)
CHEN Chun Chieh
LAM Chak Man
JE Jianxin
CHERN Shyh Feng
HSU Hong Te

COMPANY SECRETARY

MAN Yun Wah

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 1-3 30/F Universal Trade Centre
3-5A Arbuthnot Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

BRANCH SHARE REGISTRAR

Tricor Secretaries Limited

Level 22 Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 1225

COMPANY WEBSITE

www.lerado.com

PRINCIPAL BANKERS

Chinatrust Commercial Bank, Ltd
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Deloitte Touche Tohmatsu

Financial Highlights

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Revenue	**176,731**	1,158,615	1,590,494
Profit/(loss) before interest expenses and tax	**364,470**	(140,048)	(5,971)
As a percentage of revenue	**206.2%**	(12.1%)	(0.4%)
EBITDA	**370,458**	(91,205)	55,044
As a percentage of revenue	**209.6%**	7.9%	3.5%
Profit/(loss) attributable to owners of the company	**586,815**	(145,996)	(19,829)
As a percentage of revenue	**322%**	(12.6%)	(1.2%)
Total assets	**2,418,080**	1,071,816	1,739,949
Total capital employed*	**1,786,170**	632,866	1,343,738
Equity attributable to owners of the company	**1,774,721**	632,866	1,138,859
Earnings/(loss) per share (HK cents)	**53.16**	(19.26)	(2.64)
Return on average shareholders' equity	**48.7%**	(16.5%)	(1.8%)
Current ratio	**3.7**	2.3	1.9
Gearing ratio	**0.65**	0.00	0.18
Medical and Plastic Toys Business and Tradings of Garments			
Average inventory turnover (days)	**88**	57	78
Average trade debtor turnover (days)	**84**	46	63

* Total capital employed includes shareholders' equity and interest-bearing debts.

Management Discussion and Analysis

BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in providing financial services including securities broking, margin financing and money lending etc., as well as manufacturing and distributing children plastic toys and medical care products like mobility aid and other medical equipment.

Medical Products and Plastic Toys Business

For the medical products and plastic toy business, Europe became the largest export market of this segment. Sales revenue from European customers decreased by 7.5% this year to HK$51 million, representing 43.7% of the total revenue from medical products and plastic toys business. Revenue from US customers decreased by 44.7% this year to HK$38.9 million, accounting for 33.2% of the total revenue from medical products and plastic toys business.

In terms of products, sales revenue from medical products for the year was HK$95.3 million, representing a decrease of 27.1% over last year and accounted for 81.5% of the total revenue from medical products and plastic toys business. The decrease was mainly due to keen market competition and price pressure from overseas customers for both powered and manual products. Sales revenue from plastic toys decreased by 9.4% this year to HK$21.6 million mainly due to the intense competition in the market and the decline in orders from Middle East customers.

Securities Brokerage, Margin Financing, Underwriting and Placements

In July 2015, the Group has acquired Black Marble Securities Limited (formerly known as Yim Cheong Share Broking and Investment Company Limited), which has the Stock Exchange Trading Right and license to carry out Type 1 (Dealing in Securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), for diversifying the Group's business portfolio in financial sectors.

Securities brokerage business for this year has generated HK$35.3 million revenue since July 2015, representing 20% of the total revenue from continuing operations of the Group. It was because the Directors have taken a proactive approach in expanding the securities brokerage business after the acquisition and have endeavoured to participate in the securities market as underwriter and placing agent for Hong Kong listed companies in the past months, as well as providing margin financing and brokerage services for the clients.

Money Lending

The Group has commenced its money-lending business in Hong Kong through BlackMarble Capital Limited, which is a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The business has generated HK$1.1 million interest income for this year and the Directors believe that such business can bring in additional revenue for the Group and supplement our securities brokerage and financing businesses.

Sales of Garment Accessories

On 16 June 2015, the Company has completed the acquisition of the trading of garment accessories business from China Automotive Interior Decoration Holdings Limited ("**CAID**"), a company of which the shares are listed on the main board of the Stock Exchange of Hong Kong Limited.

Management Discussion and Analysis

Pursuant to the agreement dated 26 May 2015 entered into between the Company and CAID for the acquisition, CAID unconditionally and irrevocably represented and warranted to the undertaking with the Company that for the period ended from 1 April 2014 to 30 September 2015, the consolidated net profit after taxation of the business stated in the audited report prepared in accordance with Hong Kong Financial Reporting Standards shall not be less than HK$4 million and the said guaranteed profit was achieved. The sales of garment accessories business has generated HK$23.4 million revenue for this year, representing 13.3% of the total revenue from continuing operations of the Group.

PROSPECTS

By the latest fund raising activity of the Company for expanding the financial business sector of the Group, Black Marble Securities Limited has actively participated in the securities market as underwriter and placing agent for Hong Kong listed companies in the past months and targets to keep enlarging the customer base, as well as BlackMarble Capital Limited has endeavoured to develop and expand the money lending business in Hong Kong.

The Directors believe that by taking a proactive approach in developing the financial business sector of the Group will generate promising returns to the Shareholders in the future, as such the Company has proposed to change its English name from "LERADO GROUP (HOLDING) COMPANY LIMITED" to "Lerado Financial Group Company Limited" and adopt Chinese name "隆成金融集團有限公司" as its secondary name on 31 December 2015 to better reflect the direction of the Group's business development and create a new corporate image. The abovementioned names have come into effect on 15 February 2016.

Going forward, with a view to achieving better return and enhancing the expansion of the financial sectors of the Group, the Company will focus on the existing businesses and investment in securities market, and wish to participate in providing other financial services, including but not limited to providing corporate finance, asset management, financial planning services, which can leverage with the Group's existing financial sectors and aim at extending our financial businesses to the market of Mainland China. As such, the Company intends to invest seed capital for establishing funds and is in the process of applying for a license for carrying out the Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance, and the Company is also planning to apply for the Type 6 (Advising on Corporate finance) license as well. Meanwhile, The Directors will also look for potential investment opportunities to diversify its business scope.

FINANCIAL REVIEW

Consolidated revenue from continuing operations for 2015 was HK$176.7 million (2014: HK$154.7 million), representing an increase of 14.2% over last year. Although, the revenue from medical products and plastic toy has decreased by HK$37.8 million, the increase in the consolidated revenue was mainly due to the new businesses carried out during the year, of which the contribution from the securities brokerage business was HK$35.3 million (2014: nil); the sales of garment accessories business was HK$23.4 million (2014: nil); and from the money lending business was HK$1.1 million (2014: nil).

Gross profit margin of continuing operations for the year was 27.5%, representing an increase of approximately 12 percentage points as compared to the gross profit margin of 15.5% last year. It was mainly due to (i) the gross profit margin of the medical products and plastic toys business for the year was 6.8%, representing a decrease of approximately 8.7 percentage points as compared to the gross profit margin of 15.5% last year. The decrease was mainly due to the intense market competition and the pressure for lower prices from overseas customers for the medical products; (ii) the securities brokerage business that the Group has acquired in 2015 has a higher gross profit ratio than the medical products and plastic toys businesses.

Management Discussion and Analysis

The Group recorded a profit for the year from continuing operations for approximately HK$295.2 million (2014: loss for the year from continuing operations of HK$17.7 million). The improvement was mainly due to the record of other net gain of HK$377.5 million for the year (2014: other net loss of approximately HK$1.5 million), which was mainly contributed by the fair value changes in held-for-trading investments of HK$380.5 million, and the increase in gross profit by HK$24.6 million. Besides, the marketing and distribution cost was HK$6.7 million for the year (2014: HK$7.6 million), representing a decrease of 12.1% over last year. Administrative expenses amounted to HK$76 million (2014: HK$33.3 million), representing an increase of 128.2% over last year, it was mainly due to the administrative expenses incurred by the new businesses acquired and carried out by the Group during the year. Research and development amounted to HK$2.7 million (2014: HK$4.3 million), representing a decrease of 37.2% over last year.

The Group also recorded profit of HK$291.5 million from discontinued operation (2014: loss of the year from discontinued operation HK$128.3 million) which was mainly attributable to the gain on disposal of subsidiaries. As explained in the "Gain on disposal of subsidiaries" section below, for the year ended 31 December 2014, the gain or loss on disposal of subsidiaries was recognised only to the extent of the portion of the consideration that was not in dispute. Accordingly, in view of the execution of the Settlement Agreement in March 2016, gain on disposal of subsidiaries of HK$291.5 million was recognized in the year ended 31 December 2015.

Profit attributable to owners of the Company was amounted to HK$586.8 million for the year (2014: loss attributable to owners of the Company of HK$146 million).

ACQUISITIONS OF ASSETS AND SUBSIDIARIES

On 31 March 2015, the Group entered into a sale and purchase agreement with China Investment and Finance Group Limited, a company of which the shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), pursuant to which the Group acquired assets for cash of HK$1 million and 76.0 million ordinary shares of the Company were issued to the vendor as consideration. The acquisition was completed on 17 April 2015.

On 26 May 2015, the Company entered into an agreement with China Automotive Interior Decoration Holdings Limited, a company of which the shares are listed on the main board of SEHK, pursuant to which the Group acquired the business of trading of garment accessories. The acquisition was completed on 16 June 2015, and 75.0 million shares of the Company were issued to the vendor as consideration.

On 15 April 2015 and 27 May 2015, the Group has acquired a total of 48 blocks of villa under development situated at Jinyuan Baoxing Shicheng Estate, Dawa County, in Liaoning Province, PRC at an aggregate cash consideration of Renminbi 81.5 million (approximately HK$103.4 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a conservative policy in its financial management and maintains a solid financial position. During the year, the Group had used HK$235.8 million in its operating activities and HK$115 million in investing activities and had net cash inflow of HK$444.8 million from financing activities. Cash and cash equivalent at 31 December 2015 was increased by HK$98 million as compared to HK$797 million as at 31 December 2014.

As at 31 December 2015, the Group's bank and cash, mainly denominated in Hong Kong Dollar and US dollar, was HK$894.9 million. The Group has bank overdraft amounted to HK$5 million (2014: nil) and bank loan amounted to HK$6.6 million (2014: nil) as at 31 December 2015.

As at 31 December 2015, the Group had net current assets of HK$1,538.5 million (31 December 2014: HK$532.6 million) and a current ratio of 3.7 (31 December 2014: 2.3). Average trade receivable turnovers and average inventory turnovers for the medical products and plastic toys business and trading of garments were 84 days (31 December 2014: 46 days) and 88 days (31 December 2014: 57 days) respectively. The Group's gearing ratio as at 31 December 2015 was 0.65% (2014: nil).

SIGNIFICANT INVESTMENTS

At 31 December 2015, the Group held approximately 295.8 million shares of China Jicheng Holdings Limited ("**CJHL**") of fair value HK$405.3 million representing 17% of the total assets of the Group as at 31 December 2015 (the "**Significant Investments**"). The shares of CJHL is listed on the main board of SEHK and is principally engaged in the manufacturing and sale of POE umbrellas and nylon umbrellas and umbrella parts such as plastic cloth and shaft to its customers. According to the CJHL's 2015 annual report, the Company believes that the prospect of CJHL is to further strengthen its leading market position and consolidate its competitive advantages in the industry, expanding production capacity, improving business development, and enhancing its research and development capabilities in order to match the increasing demand of the umbrella market and create higher values as well as bringing better return to their shareholders.

Except the Significant Investments held by the Group, there was no other held-for-trading investments held by the Group valued more than 5% of the total assets of the Group as at 31 December 2015. Going forward, the Directors consider the performance of the equities may remain susceptible to external market condition.

RESULT OF THE OPEN OFFER

On 17 August 2015, the Company proposed to raise gross proceeds of not less than HK$431.9 million before expenses by issuing not less than 2,879,030,172 ordinary shares of HK$0.10 each to the qualifying shareholders at a subscription price of HK$0.15 per offer share by way of an open offer on the basis of three offer shares for every one existing share held on the record date (the "**Open Offer**"). On 21 December 2015, 2,879,030,172 ordinary shares were allotted and issued pursuant to the Open Offer. The net proceeds for the Open Offer were approximately HK$421.6 million.

Up to the date of this announcement, proceed from the open offer (i) for the HK$288 million intended to be used in Black Marble Securities Limited, the Group has utilized approximately HK$200 million as a capital injection into Black Marble Securities Limited. For the remaining proceeds from the open offer for Black Marble Securities Limited, the directors intend to finance it by way of subordinated loan for its potential margin financing clients. The application of the subordinated loan has been submitted to Securities & Future Commission, and is subject to their approval; (ii) for the HK$117 million intended to be used in the money lending business, the Group has fully utilized as intended.

For details of the Open Offer, please refer to the announcements of the Company dated 17 August 2015, 8 September 2015, 25 September 2015, 13 November 2015, 18 December 2015, the circular of the Company dated 26 October 2015 and the prospectus of the Company dated 17 November 2015.

GAIN ON DISPOSAL OF SUBSIDIARIES

On 16 June 2014, the Group entered into a sale and purchase agreement (the "**Agreement**") with a subsidiary of Dorel Industries (the "**Buyer**") to dispose of its subsidiaries that operated the Group's manufacture and distribution of juvenile and infant products business (the "**Disposed Subsidiaries**") at a consideration of HK$930 million (subject to adjustment). The disposal was completed in October 2014.

Pursuant to the Agreement, the consideration for the disposal is subject to adjustment based on the difference between the Reference NAV of HK$840 million and the Actual NAV of the Disposed Subsidiaries as determined in the completion accounts. The Buyer has requested a significant downward adjustment to the consideration for the disposal of HK$307.4 million based on the draft completion accounts prepared by the Buyer. The Group and the Buyer have not reached agreement on the disputed items in the draft completion accounts. In accordance with the terms of the Agreement, on 20 July 2015, the Group and the Buyer jointly appointed RSM Nelson Wheeler Hong Kong as the independent accountant to resolve the disputed items and to determine what adjustments would need to be made to the completion accounts and thus the consideration payable under the Agreement.

On 1 March 2016, the Group and the Buyer group (collectively the "**Parties**") entered into a settlement agreement (the "**Settlement Agreement**") in relation to the dispute arising out of the Agreement (the "**Dispute**"). By the Settlement Agreement, the Parties have settled their differences and have agreed terms for the full and final settlement of the Dispute. The Settlement Agreement has been entered into on the basis that there is no admission of liability or wrongdoing on the part of any party. The Settlement Agreement fully and finally settles all and/or any claims between the Group and the Buyer group. Following execution of the Settlement Agreement, the Parties have jointly instructed the escrow agent to arrange transfer of Hong Kong dollar equivalent of US$5,475,000 to the Buyer and transfer of the remaining escrow sum to the Group.

In the opinion of the directors of the Company, the above supported their view that the deferred consideration net of relevant transaction costs should be recognised in the profit and loss for the year ended 31 December 2015 as an adjusting event after the end of the reporting period. As such, the Group has recognised a gain on disposal of subsidiaries of HK$291,524,000 in profit or loss for the year ended 31 December 2015 that is also presented within "discontinued operation" in the consolidated statement of profit or loss and other comprehensive income.

PLEDGE OF ASSETS

The bank borrowings were secured by personal guarantee and properties provided by a director of a subsidiary who is not a director of the Company, and guarantee provided by The Government of the Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee Scheme and charges over the Group's investment property of approximately HK$11.5 million. No asset of the Group was pledged as at 31 December 2015.

EXCHANGE RISK EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in US dollar, Renminbi, Hong Kong dollar, Euro and New Taiwan dollar. In the event that Renminbi appreciates, the Group will be affected directly. Although the Group currently does not maintain any hedging policy to hedge against foreign exchange exposure that may arise from the above transactions, the management team continuously assesses the foreign currency exposure, with an aim to minimize the impact of foreign exchange fluctuation on the Group's business operations.

EQUITY PRICE RISK EXPOSURE

The Group is exposed to equity price risk through its investments in listed securities. Although, the Group currently does not maintain any hedging policy to hedge against the equity price risk, the management team manages this exposure by monitoring the price movements and the changes in market conditions that may affect the value of the investments and will consider taking appropriate actions to minimize the risk.

CONTINGENT LIABILITY

As at 31 December 2015, the Group was involved:

(i) in proceedings in relation to certain wholly-owned subsidiaries of the Company and Disposed Subsidiaries which entered into agreement with a U.S. based supplier in August 2002, pursuant to which the supplier appointed the Group as its exclusive distributor for the territories of China and Taiwan for a term of five years. The date of termination of the agreement is still being reviewed.

The supplier initiated proceedings against the Group in the U.S. alleging that the Group owed them outstanding commission of approximately US$2.2 million which is still being reviewed by the United States District Court. The Group denied the allegations of the supplier and disputed their claims. The trial date has not been set. As the outcome of the proceedings is uncertain, the Board is of the opinion that no provision for any potential liability would need to be made for the related claims in the consolidated financial statements of the Company as at 31 December 2015.

(ii) as a joint defendant in a civil claim initiated at the United States District Court for the District of Nebraska in April 2014 together with, among others, Baby Trend, Inc. on the alleged faulty design in a car seat manufactured by the Group under contract for Baby Trend, Inc. A trial date has been set on 28 February 2017. The outcome of the proceedings is uncertain as at 31 December 2015 and no provisions for any potential liability needs to be made for the related claim in the consolidated financial statements of the Company as at 31 December 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group employed a total workforce of around 300 staff members, of which about 230 worked in the PRC, about 10 in Taiwan and the remaining in Hong Kong.

Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job related skills.

Directors' Profile

EXECUTIVE DIRECTORS

Mr. MAK Kwong Yiu, aged 41, has been appointed as an Executive Director, the Chairman of the board of directors of the Company and the Chief Executive Officer of the Company since 1 April 2016. Mr. Mak is responsible to oversee the Group's strategic planning and contribute his broad and profound experience in finance to the Group in operating and expanding financial businesses, and assist the board of directors in decision making.

Mr. Mak graduated from The Hong Kong University of Science and Technology with a Bachelor of Business Administration degree in Finance in November 1996 and a Master of Business Administration degree in November 2004. He earned the Chartered Financial Analyst designation in September 2000. He has been a Certified Public Accountant in the United States since May 2002 and a member of the HKICPA since May 2003. Mr. Mak is currently an independent non-executive director of GR Properties Limited, a company listed on the Main Board of the Stock Exchange, since 17 February 2014. He was previously an executive director and the group chief executive officer of Convoy Financial Holdings Limited, a company listed on the Main Board of the Stock Exchange, between 16 March 2010 and 31 March 2016, and also an executive director of Interactive Entertainment China Cultural Technology Investments Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, between 30 July 2008 and 28 April 2014. He was also an independent non-executive Director between 25 April 2014 and 2 November 2015, therefore he is familiar with the culture and operations of the Company.

Mr. HUANG Ying Yuan, aged 65, is a founding member and was the Chairman and the Chief Executive Officer of the Company. Mr. Huang has been appointed as the honorary Chairman of the Board of directors of the Company. Mr. Huang has 39 years of experience in the infant products industry. Mr. Huang assists the Chief Executive Officer in overseeing the Group's strategic planning and has particular responsibility for marketing.

Mr. CHEN Chun Chieh, aged 40, was appointed an Executive Director of the Company on 3 April 2008. Mr. Chen has been working for the Group since 2002. He obtained a master's degree in business administration from Lawrence Technical University, U.S.A. Mr. Chen is responsible for the strategic planning and finance of the Group.

Mr. HUANG Shen Kai, aged 38, joined the Group since March 2005 and has been working as the Group Vice President for the manufacturing business of the Group. Mr. Huang is responsible for the Group's management and business development in the PRC market. Mr. Huang holds a Bachelor's Degree of Business Administration from the Rochester University of Institute and a Master's Degree of Business Administration from the American University. Mr. Huang is the son of Mr. Huang Ying Yuan, chairman and chief executive officer of the Company.

Mr. LAI Kin Chung, Kenneth, aged 46, has over 20 years of solid investment background specializing in property investment, social service, and technology sectors in Taiwan and the PRC. Mr. Lai graduated from Curtin University of Technology with a Bachelor of Commerce (Marketing & Management) in Australia. He initially worked as a floor trader with Bank of China Group Securities Limited and worked for various investment banks as a dealer including Lippo Securities Holdings Limited, Dresdner Bank and Charles Schwab Hong Kong Securities Limited from 1994 to 2002 and acted as Head of Dealing and Sales Trading at SBI E2 — Capital Asia Securities Limited during 2003-2006. He continued his career in sales desks from 2006 to 2013 working for DBS Vickers (Hong Kong) Ltd., CCB International Securities Ltd., Agricultural Bank of China and Core Pacific-Yaimaichi International (HK) Ltd. From September 2013 to August 2014, he worked in a fund management company specialized in portfolio management and risk management. In addition, Mr. Lai has all-rounded experiences in securities advisory, corporate finance, corporate management and fund management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Chak Man, aged 34, is a practicing certified public accountant and is currently a director of Grandeur CPA Limited. Mr. Lam has extensive experience in the fields of auditing, accounting and finance. Mr. Lam graduated from Curtin University of Technology in Australia with a Bachelor Degree of Accounting and Finance. Mr. Lam is also a member of the Hong Kong Institute of Certified Public Accountants.

Mr. YE Jianxin, aged 62, has over 3 decades of experience acting as department head and general manager in different companies engaging in sales and marketing. He has extensive experience in managing large enterprises especially in the area of sales and marketing. Mr. Ye graduated from high school in China.

Mr. CHERN Shyh Feng, aged 48, is the founder and Chairman of Paralink Asset Management Asia Limited. Mr. Chern has extensive experience in banking, finance and accounting and held executive positions at several international financial institutions and listed companies. Mr. Chern obtained his Bachelor Degree in Accounting from the Ohio State University in United States of America and Master Degrees in Accounting and Business Administration in Finance respectively from the University of Illinois in United States of America. Mr. Chern has held executive positions at several investment banks, securities houses and asset management companies in Taiwan, Shanghai and Hong Kong. He was lecturer of Taiwan Securities and Futures Markets International Development Fund and Faculty of Banking and Finance of Tamkang University in Taipei. Mr. Chern was an independent non-executive director of the Company during the years from 2009 to 2014, therefore he is very familiar with the culture and operations of the Company.

Mr. HSU Hong Te, aged 40, has been appointed as an Independent Non-executive Director since 1 April 2016. Mr. Hsu graduated from National Taiwan University in Taiwan in 2000 with a Bachelor of Science in Chemical/ Advanced Material Engineering, and graduated from The University of Southampton in the United Kingdom in 2004 with a Master of Science of Aerodynamics and Computation. He was awarded the certificate of Financial Risk Manager in 2007 and the certificate of Chartered Alternative Investment Analyst in 2008. He earned the Chartered Financial Analyst designation in 2010. Hr. Hsu has passed the Papers 1, 2, 3, 5, 6, 7, 8, 9, 11 and 12 of Licensing Examination for Securities and Futures Intermediaries of the Hong Kong Securities and Investment Institute. Mr. Hsu has obtained the license of Futures and Options Specialist, the license of Senior Securities Specialist and the license of Securities Investment Trust and Consulting Professionals by the Securities & Futures Institute. Mr. Hsu is currently the chairman of Affluent Jade Limited, and previously acted as Global Market Analyst of Elite Wealth Partners LLC, Research Manager of Hua Nan Securities Co., Ltd., Investment Manager of SinoPac Venture Capital Co., Ltd. and Investment Manager of Ruentex Group. Mr. Hsu has extensive experience in the field of corporate financing and penetrative sense in analyzing the financial market.

Corporate Governance Report

The board (the "Board") of directors (the "Directors") Lerado Financial Group Company Limited (the "Company") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2015.

CORPORATE GOVERNANCE CODE

For the year under review, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for the deviations set out below:

Under the code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer ("**CEO**") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and the CEO of the Company should be clearly established and set out in writing. The roles of the chairman and the CEO of the Company were not separated and were performed by the same individual, Mr. Huang Ying Yuan, throughout year 2015.

The directors meet regularly to consider major matters affecting the operations of the Group. As such, the directors consider that this structure of having the roles of both the chairman and the CEO performed by the same individual will not impair the balance of power and authority between the directors and the management of Group. The directors believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

The Company will review its corporate governance practices regularly to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for overseeing the overall development of the Company's business with the objective of enhancing shareholders' value including setting and approving the Company's strategic plan, considering substantial investments, reviewing the Group's financial performance and developing and reviewing the Group's policies and practices on corporate governance. The Board has delegated to the CEO, of which the directors also undertake, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established board committees and has delegated to these board committees various responsibilities as set out in their respective terms of reference.

All directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

Board Composition

As at the date of this Annual Report, the Board comprises 9 members in total, with 5 executive Directors and 4 independent non-executive Directors.

The composition of the Board during the year ended 31 December 2015 and up to the date of this Annual Report is set out below:

Executive Directors

MAK Kwong Yiu, *Chairman and Chief Executive Officer (appointed on 1 April 2016)*
HUANG Ying Yuan, *Honorary Chairman*
CHEN Chun Chieh
HUANG Shen Kai
LAI Kin Chung, Kenneth

Independent Non-Executive Directors

LAM Chak Man *(appointed on 16 November 2015)*
HUANG Zhi Wei *(resigned on 6 February 2015)*
MAK Kwong Yiu *(resigned on 2 November 2015)*
YE Jianxin
CHERN Shyh Feng *(appointed on 6 February 2015)*
HSU Hong Te *(appointed on 1 April 2016)*

The biographical details of the current Board members are set out under the section headed "Directors' Profile" on pages 10 to 11 of this report. Each of the independent non-executive Directors is appointed for a term of three years.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Company is in compliance with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive directors represented over one-third of the Board.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Chairman and CEO

Under code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**"), the roles of the chairman and the CEO should be separated and should not be performed by the same individual.

During the year ended 31 December 2015, the Company has not separated the roles of chairman and the CEO of the Company and Mr. Huang Ying Yuan was the chairman and also the CEO of the Company responsible for overseeing the operations of the Group during such period. The directors meet regularly to consider major matters affecting the operations of the Group. As such, the directors consider that this structure of having the roles of both the chairman and the CEO performed by the same individual will not impair the balance of power and authority between the directors and the management of Group. The directors believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

Appointment and Re-election of Directors

In accordance with the Company's bye-laws, all Directors are subject to retirement by rotation at least once every three years and any new director appointed by the Board to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by the shareholders at the first general meeting after appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's bye-laws. The Nomination Committee of the Company is responsible for reviewing the board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

BOARD MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notice of regular Board meetings is served to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management of the Company where necessary.

The senior management, including CEO and company secretary of the Company (the "**Company Secretary**") attend all regular board meetings and where necessary, other board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and final versions are open for directors' inspection.

The Company's bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Directors' Attendance Records

During the year ended 31 December 2015, 4 regular board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the board meetings, the annual general meeting for the year 2015 (the "**2015 AGM**") and the special general meeting held on 10 November 2015 (the "**SGM**") during the year ended 31 December 2015 are set out below:

Name of Director	Attendance/ Number of Meetings		
	Board Meetings	**2015 AGM**	**SGM**
Huang Ying Yuan	2/4	0/1	0/1
Chen Chun Chieh	3/4	0/1	0/1
Huang Shen Kai	4/4	1/1	1/1
Lai Kin Chung, Kenneth	4/4	1/1	1/1
Huang Zhi Wei *(resigned on 6 February 2015)*	0/0	0/0	0/0
Mak Kwong Yiu *(resigned on 2 November 2015)*	3/3	0/1	0/1
Ye Jianxin	2/4	0/1	0/1
Chern Shyh Feng *(appointed on 6 February 2015)*	4/4	1/1	0/1
Lam Chak Man *(appointed on 16 November 2015)*	1/1	0/0	0/0

Directors' Training

Directors must keep abreast of their collective responsibilities and are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide to each newly appointed director or alternative director an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's businesses and the statutory regulatory obligations of a director of a listed company as well as the Company's constitutional documents to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company has provided information related to the changes in the Listing Rules to the directors to update and refresh the directors' knowledge on the latest developments to the Listing Rules. The Company will continuously update the directors on the latest developments to the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance the directors' awareness of good corporate governance practices.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major company matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that board procedures and all applicable laws and regulations are followed. Each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the CEO and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The Board also has the full support of the CEO and the senior management for the discharge of its responsibilities.

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and the Audit Committee for overseeing particular aspects of the Company's affairs. All board committees of the Company are established with defined written terms of reference which are available for the reference of the shareholders and the public on the websites of the Company and the Stock Exchange. Each of the Nomination Committee, Remuneration Committee and Audit Committee is provided with sufficient resources to discharge their duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Nomination Committee

As at the date of this report, the Nomination Committee comprises 6 members, namely Mr. Mak Kwong Yiu, Mr. Chen Chun Chieh, Mr. Lam Chak Man, Mr. Ye Jianxin, Mr. Chern Shyh Feng and Mr. Hsu Hong Te, the majority of which are independent non-executive Directors, with Mr. Mak Kwong Yiu acting as the chairman.

The principal duties of the Nomination Committee include reviewing the board composition, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of the independent non-executive directors.

During the year ended 31 December 2015, the Nomination Committee was primarily responsible:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- to identify individuals suitably qualified to become board members and select or make recommendations to the Board on selection of individuals nominated for directorships;
- to assess the independence of the independent non-executive directors, having regard to the requirements under the applicable laws, rules and regulations;
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors and, in particular, the chairman and the CEO of the Company; and
- to review the policy on board diversity and any measurable objectives for implementing such policy.

The terms of reference of the Nomination Committee and the authority delegated by the Board is available on the Stock Exchange and the Company's website.

The Nomination Committee will meet at least once per year according to its terms of reference. A Nomination Committee meeting was held during the year under review, details of attendance are set out below:

Nomination Committee Members	**Attendance/ Number of Meeting**
Huang Ying Yuan	1/1
Chen Chun Chieh	1/1
Huang Zhi Wei *(resigned on 6 February 2015)*	0/0
Mak Kwong Yiu *(resigned on 2 November 2015)*	1/1
Ye Jianxin	1/1
Chern Shyh Feng *(appointed on 6 February 2015)*	1/1
Lam Chak Man *(appointed on 16 November 2015)*	0/0

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises 6 members, namely Mr. Mak Kwong Yiu, Mr. Lai Kin Chung, Kenneth, Mr. Lam Chak Man, Mr. Ye Jianxin, Mr. Chern Shyh Feng and Mr. Hsu Hong Te, the majority of which are independent non-executive Directors, with Mr. Lam Chak Man acting as the chairman.

The Remuneration Committee is responsible for making recommendations to the directors' remuneration and other benefits. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that level of their remuneration and compensation is reasonable. Their written terms of reference are in line with the provisions of the CG Code.

During the year ended 31 December 2015, the Remuneration Committee was primarily responsible for:

- making recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policies on all such remunerations;
- recommending to the Board the specific remuneration packages of all executive directors and senior management members of the Company; and
- reviewing and proposing performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time.

The terms of reference of the Remuneration Committee explaining its role and the authority delegated to it by the Board is available on the Stock Exchange and the Company's website.

The Remuneration Committee held one meeting during the year ended 31 December 2015 and the details of attendance are set out below:

Remuneration Committee Members	**Attendance/ Number of Meeting**
Huang Ying Yuan	1/1
Huang Zhi Wei *(resigned on 6 February 2015)*	0/0
Lai Kin Chung, Kenneth	1/1
Mak Kwong Yiu *(resigned on 2 November 2015)*	1/1
Ye Jianxin	1/1
Chern Shyh Feng *(appointed on 6 February 2015)*	1/1
Lam Chak Man *(appointed on 16 November 2015)*	0/0

Audit Committee

As at the date of this report, the Audit Committee comprises 4 members, namely Mr. Lam Chak Man, Mr. Ye Jianxin, Mr. Chern Shyh Feng and Mr. Hsu Hong Te, all of whom are independent non-executive directors, with Mr. Lam Chak Man acting as the chairman.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system and to provide advice and comments to the Board.

During the year ended 31 December 2015, the Audit Committee was primarily responsible:

- to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to develop and implement policy on the engagement of an external auditor to supply non-audit services;
- to monitor integrity of financial statements of the Company and the Company's annual report and accounts and half-year reports and to review significant financial reporting judgements contained in them;
- to review the Company's financial controls, internal control and risk management systems;
- to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- to review the Group's financial and accounting policies and practices; and
- to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised.

The Audit Committee held 2 meetings during the year ended 31 December 2015 and the details of attendance are set out below:

Audit Committee Members	**Attendance/ Number of Meeting**
Huang Zhi Wei *(resigned on 6 February 2015)*	0/0
Mak Kwong Yiu *(resigned on 2 November 2015)*	2/2
Ye Jianxin	2/2
Chern Shyh Feng *(appointed on 6 February 2015)*	2/2
Lam Chak Man *(appointed on 16 November 2015)*	0/0

Corporate Governance Functions

During the period under review, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Internal Controls

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on page 29.

During the year ended 31 December 2015, the remuneration paid/payable to the Company's external auditors, Messrs Deloitte Touche Tohmatsu, is set out below:

Type of Services	**Fees Paid/ Payable** *(HK$)*
Audit Services	
— Audit of annual financial statements	1,600,000
Non-Audit Services	
— Review of interim financial statements	290,000
— Services in connection with Open offer	600,000
Total	2,490,000

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders face-to-face dialogue with the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent board committee, are available to answer questions at shareholders' meetings.

The annual general meeting regarding the financial results for the year ended 31 December 2015 (the "**AGM**") will be held on 27 May 2016. The notice of the AGM will be sent to shareholders at least 20 clear business days before the AGM.

SHAREHOLDER RIGHTS

Convening a special general meeting by shareholders

Procedures for shareholders to convene a special general meeting (including making proposals/moving a resolution at the special general meeting)

- Any one or more shareholders 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 (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at a special general meeting.

- Eligible Shareholders who wish to convene a special general meeting for the purpose of making proposals or moving a resolution at a special general meeting must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene a special general meeting, the agenda proposed to be included the details of the business(es) proposed to be transacted in the special general meeting, signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene a special general meeting within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for a special general meeting and/or include the proposal or the resolution proposed by the Eligible Shareholder at the special general meeting.

- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene a special general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the bye-laws, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post to Unit 1-3, 30/F., Universal Trade Centre, 3-5A, Arbuthnot Road, Central, Hong Kong or email to public@lerado.com.hk.

Investors Relationship

Bye-laws

There has not been any significant change to the Company's bye-laws during the year ended 31 December 2015.

Investors Communication Policy

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. To promote effective communication, the Company maintains a website at www.irasia.com/listco/hk/lerado/index.htm, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted are available for public access.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number:	(852) 2868 9918
By post:	Unit 1-3, 30/F, Universal Trade Centre 3-5A Arbuthnot Road, Central Hong Kong
Attention:	Investor Relations Department
By email:	public@lerado.com.hk

Disclaimer

The contents of this section headed "Shareholders' Rights" are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the shareholders. Shareholders should seek their own independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims all liabilities and losses incurred by its shareholders in reliance on any contents of this section headed "Shareholders' Rights".

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 31 and 32 of the annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015.

PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings were revalued at 31 December 2015. The revaluation resulted in gains of HK$4,621,000 which was credited to property revaluation reserve at 31 December 2015.

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

During the year, (i) 48,000,000 of ordinary shares of HK$0.1 each were issued in relation to the share options exercised by employees and consultants under the share option scheme of the Company at exercise prices of HK$0.592 per share; (ii) 151,000,000 of ordinary shares of HK$0.1 each were issued as consideration for the acquisition of assets and subsidiaries; (iii) 2,879,030,172 of ordinary shares of HK$0.1 each were issued upon the open offer. Details of movements during the year in the share capital of the Company are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at the end of the reporting period were as follows:

	2015	2014
	HK$'000	*HK$'000*
Contributed surplus	**244,461**	244,461
Accumulated (loss)/profits	**(15,210)**	2,011
	229,251	246,472

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

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

Executive directors:

Mr. Mak Kwong Yiu *(Chairman and Chief Executive Officer) (Appointed on 1 April 2016)*
Mr. Huang Ying Yuan *(Honorary Chairman)*
Mr. Chen Chun Chieh
Mr. Huang Shen Kai
Mr. Lai Kin Chung, Kenneth

Independent non-executive directors:

Mr. Huang Zhi Wei *(resigned on 6 February 2015)*
Mr. Mak Kwong Yiu *(resigned on 2 November 2015)*
Mr. Ye Jianxin
Mr. Chern Shyh Feng *(appointed on 6 February 2015)*
Mr. Lam Chak Man *(appointed on 16 November 2015)*
Mr. Hsu Hong Te *(appointed on 1 April 2016)*

In accordance with clause 86 and clause 87 of the Company's bye-laws, Mr. Mak Kwong Yiu, Mr. Chen Chun Chieh, Mr. Lam Chak Man and Mr. Hsu Hong Te will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other directors will continue in office.

The terms of office of all independent non-executive Directors are subject to retirement by rotation in accordance with the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

Mr. Huang Ying Yuan has entered into service agreement with the Company for a period of three years commencing 1 December 1998 and will continue thereafter unless and until terminated by either party by three months' prior written notice.

Other than as disclosed above, no directors has service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("**SFO**"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Number of shares held as			Total interests	Approximate percentage of the issued share capital of the Company	Number of share options
	Beneficial owner	Spouse interest	Corporate interest			
Mr. Huang Ying Yuan	11,864,000	4,936,000 *(note 1)*	208,654,160 *(note 2)*	225,454,160	5.87%	–
Mr. Mak Kwong Yiu	660,000	–	–	660,000	0.02%	–

Notes:

1. The spouse interest represents the shares held by Mrs. Huang Chen Li Chu, the spouse of Mr. Huang Ying Yuan.

2. The corporate interest represents the shares held by Intelligence Hong Kong Group Limited, which is controlled by Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations, which were recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code, as at 31 December 2015.

SHARE OPTIONS

Particulars of the share option schemes and the movements in the share options of the Company are set out in note 32 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than share option schemes mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the interests of shareholders below are extracted from the latest disclosure of interests forms filed by the respective shareholders.

Long position in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. David Michael Webb *(Note 1)*	Beneficial owner	76,938,000	8.02%*
Preferable Situation Assets Limited *(Note 1)*	Beneficial owner	50,750,000	5.29%*
China Automotive Interior Decoration Holdings Limited *(Note 2)*	Beneficial owner	300,000,000	7.82%

Notes:

(1) Preferable Situation Assets Limited is controlled by Mr. David Michael Webb.

(2) China Automotive Interior Decoration Holdings owns shares through its wholly owned Link Excellent Limited.

* On 21 December 2015, 2,879,030,172 ordinary shares were allotted and issued pursuant to an open offer on the basis of three offer shares for every one existing share held on the record date. According to the Part XV of the Securities and Futures Ordinance (the "SFO"), a notification shall be given where relevant event under the Part XV of the SFO occurs. In virtue of no notification has been given pertaining to Mr. David Webb and Preferable Situation Assets Limited as of the date of this report, it is assumed that the percentage of the interests of Mr. David Webb and Preferable Situation Assets Limited in the Company remains unchanged and they had fully subscribed the offer shares that they were entitled to subscribe.

Other than as disclosed above, the Company has not been notified of any other relevant interest or short position in the issued share capital of the Company as at 31 December 2015.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONNECTED TRANSACTIONS

Other than those disclosed in note 38 to the consolidated financial statements, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in note 38, no contracts of significance, to which the Company or its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$2,500,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 37.9% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 21% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 24% of the total purchases of the Group and the purchases attributable to the Group's largest supplier were approximately 6.2%.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, owning more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers of the Group.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

EMOLUMENT POLICY

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

The emoluments of the directors of the Company are decided by the board of directors, who are authorised by the shareholders in the annual general meeting, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to directors and eligible employees, details of these schemes are set out in note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2015.

EVENT AFTER THE REPORTING PERIOD

The English name of the Company has been changed from "LERADO GROUP (HOLDING) COMPANY LIMITED" to "Lerado Financial Group Company Limited", and the Chinese name "隆成金融集團有限公司" has been adopted as the secondary name of the Company in place of "隆成集團(控股)有限公司" which was adopted by the Company for identification purposes only and have come into effect on 15 February 2016.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the board

Mak Kwong Yiu
CHAIRMAN
27 April 2016

Deloitte.
德勤

TO THE MEMBERS OF LERADO FINANCIAL GROUP COMPANY LIMITED
(FORMERLY KNOWN AS LERADO GROUP (HOLDING) COMPANY LIMITED)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Lerado Financial Group Company Limited (formerly known as Lerado Group (Holding) Company Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 121, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 applicable disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 *HK$'000*	2014 *HK$'000*
Revenue		**176,731**	154,676
Gross proceeds from sale of held-for-trading investments		**107,637**	—
		284,368	154,676
Continuing operations			
Revenue	5	**176,731**	154,676
Cost of inventories and services		**(128,103)**	(130,686)
		48,628	23,990
Other income	6	**24,270**	6,102
Other gains and losses	7	**377,511**	(1,513)
Marketing and distribution costs		**(6,744)**	(7,674)
Research and development expenses		**(2,707)**	(4,250)
Administrative expenses		**(76,027)**	(33,312)
Share of loss of an associate		**(461)**	(650)
Finance cost	8	**(300)**	—
Profit (loss) before taxation		**364,170**	(17,307)
Income tax expense	9	**(68,970)**	(373)
Profit (loss) for the year from continuing operations		**295,200**	(17,680)
Discontinued operation			
Gain on disposal of subsidiaries	33	**291,524**	—
Loss for the year from discontinued operation	10	**—**	(128,316)
Profit (loss) for the year	11	**586,724**	(145,996)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of land and buildings		**4,641**	37,722
Recognition of deferred tax liability arising on revaluation of land and buildings		**(857)**	(8,840)
		3,784	28,882
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation		**(2,485)**	(10,895)
Share of exchange difference of an associate		**—**	84
Reclassification of translation reserve upon disposal of			
— Subsidiaries		**—**	(155,911)
— An associate		**—**	489
		(2,485)	(166,233)
Other comprehensive income (expense) for the year		**1,299**	(137,351)
Total comprehensive income (expense) for the year		**588,023**	(283,347)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 **HK$'000**	2014 HK$'000
Profit (loss) attributable to owners of the Company:			
— from continuing operations		**295,291**	(17,680)
— from discontinued operation		**291,524**	(128,316)
		586,815	(145,996)
Loss attributable to non-controlling interests			
— from continuing operations		**(91)**	—
— from discontinued operation		**—**	—
		(91)	—
Total profit (loss) for the year		**586,724**	(145,996)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**588,114**	(283,347)
Non-controlling interests		**(91)**	—
		588,023	(283,347)
			(Restated)
Earnings (loss) per share	*15*		
From continuing and discontinued operations			
— Basic		**HK53.16 cents**	(HK16.73 cents)
— Diluted		**HK53.15 cents**	N/A
From continuing operations			
— Basic		**HK26.75 cents**	(HK2.03 cents)
— Diluted		**HK26.75 cents**	N/A

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	16	**110,010**	98,340
Prepaid lease payments	17	**14,767**	16,151
Investment properties	18	**32,542**	—
Goodwill	19	**42,918**	—
Investment in an associate	20	**7,539**	—
Available-for-sale investments	21	**5,968**	—
Deposits paid for acquisition of property, plant and equipment	22	**103,352**	—
Statutory deposits placed with clearing house		**272**	—
		317,368	114,491
Current assets			
Inventories	23	**34,303**	26,598
Trade and other receivables and prepayments	24	**161,278**	50,680
Prepaid lease payments	17	**419**	203
Held-for-trading investments	25	**511,765**	5,321
Bank balances held in an escrow account	33	**34,998**	77,554
Bank balances			
— trust and segregated accounts	26	**463,015**	—
Bank balances (general accounts) and cash	26	**894,934**	796,969
		2,100,712	957,325
Current liabilities			
Trade and other payables and accruals	27	**524,261**	90,619
Taxation payable		**26,157**	26,651
Borrowings	28	**11,540**	—
Derivative financial instruments	29	**285**	—
Deferred consideration	33	**—**	307,426
		562,243	424,696
Net current assets		**1,538,469**	532,629
		1,855,837	647,120

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital	31	**383,871**	76,068
Reserves		**1,390,759**	556,798
Total equity		**1,774,630**	632,866
Non-current liability			
Deferred tax liabilities	30	**81,207**	14,254
		1,855,837	647,120

The consolidated financial statements on pages 31 to 121 were approved and authorised for issue by the Board of Directors on 30 March 2016 and are signed on its behalf by:

Huang Ying Yuan
DIRECTOR

Chen Chun Chieh
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company												
	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Property revaluation reserve *HK$'000*	Statutory surplus reserve fund *HK$'000*	Enterprise expansion fund *HK$'000*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Capital redemption reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*	Non-controlling interest *HK$'000*	Total *HK$'000*
At 1 January 2014	75,348	110,614	39,312	187,901	48,981	3,091	175,489	1,151	1,270	495,702	1,138,859	–	1,138,859
Loss for the year	–	–	–	–	–	–	–	–	–	(145,996)	(145,996)	–	(145,996)
Exchange differences arising from translation	–	–	–	–	–	–	(10,895)	–	–	–	(10,895)	–	(10,895)
Share of exchange difference of an associate	–	–	–	–	–	–	84	–	–	–	84	–	84
Gain on revaluation of land and buildings	–	–	–	37,722	–	–	–	–	–	–	37,722	–	37,722
Reclassified on disposal of subsidiaries	–	–	–	–	–	–	(155,911)	–	–	–	(155,911)	–	(155,911)
Reclassified on disposal of interest in an associate	–	–	–	–	–	–	489	–	–	–	489	–	489
Recognition of deferred tax liability arising on revaluation of land and buildings	–	–	–	(8,840)	–	–	–	–	–	–	(8,840)	–	(8,840)
Total comprehensive income (expense) for the year	–	–	–	28,882	–	–	(166,233)	–	–	(145,996)	(283,347)	–	(283,347)
Exercise of share options	720	5,642	–	–	–	–	–	(823)	–	–	5,539	–	5,539
Recognition of equity settled share-based payments	–	–	–	–	–	–	–	18	–	–	18	–	18
Release upon disposal of subsidiaries	–	–	(802)	(154,417)	(49,362)	(3,091)	–	–	–	207,672	–	–	–
Share options lapsed during the year	–	–	–	–	–	–	–	(326)	–	326	–	–	–
Transfer to statutory reserves	–	–	–	–	381	–	–	–	–	(381)	–	–	–
Dividends recognised as distributions *(Note 14)*	–	–	–	–	–	–	–	–	–	(228,203)	(228,203)	–	(228,203)
At 31 December 2014	76,068	116,256	38,510	62,366	–	–	9,256	20	1,270	329,120	632,866	–	632,866

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company												
	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Property revaluation reserve *HK$'000*	Statutory surplus reserve fund *HK$'000*	Enterprise expansion fund *HK$'000*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Capital redemption reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*	Non-controlling interest *HK$'000*	Total *HK$'000*
Profit for the year	–	–	–	–	–	–	–	–	–	586,815	586,815	(91)	586,724
Exchange differences arising from translation	–	–	–	–	–	–	(2,485)	–	–	–	(2,485)	–	(2,485)
Revaluation gain on land and buildings classified as property, plant and equipment	–	–	–	4,641	–	–	–	–	–	–	4,641	–	4,641
Recognition of deferred tax liability arising on revaluation gain on land and buildings	–	–	–	(857)	–	–	–	–	–	–	(857)	–	(857)
Total comprehensive income (expense) for the year	–	–	–	3,784	–	–	(2,485)	–	–	586,815	588,114	(91)	588,023
Exercise of share options	4,800	29,550	–	–	–	–	–	(5,933)	–	–	28,417	–	28,417
Recognition of equity settled share-based payments	–	–	–	–	–	–	–	9,269	–	–	9,269	–	9,269
Share options lapsed during the year	–	–	–	–	–	–	–	(15)	–	15	–	–	–
New shares issued as consideration for acquisition of assets through acquisition of subsidiaries *(Note 34)*	7,600	35,813	–	–	–	–	–	–	–	–	43,413	–	43,413
New shares issued as consideration for acquisition of subsidiaries *(Note 35)*	7,500	43,500	–	–	–	–	–	–	–	–	51,000	–	51,000
Issued of shares upon open offer net of transaction costs *(Note 31)*	287,903	133,739	–	–	–	–	–	–	–	–	421,642	–	421,642
At 31 December 2015	383,871	358,858	38,510	66,150	–	–	6,771	3,341	1,270	915,950	1,774,721	(91)	1,774,630

The special reserve of the Group represents the following:

(a) A credit amount of HK$38,510,000 represents the difference between the nominal value of shares of Lerado Group Limited together with its share premium and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

(b) A credit amount of HK$802,000 represented the difference between the cost of acquisition of additional interest in a subsidiary and the carrying amount of the non-controlling interests at the date of which they were acquired by the Group. The amount was fully released to accumulated profits upon the disposal of the subsidiary in the year of 2014.

The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Company are required to maintain two statutory reserves, being the "statutory surplus reserve fund" and the "enterprise expansion fund", both of which are not distributable. Appropriations to such reserves are made out of the profit for the year as per the statutory financial statements of relevant PRC subsidiaries. The amount and allocation basis are decided by the respective board of directors annually.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES			
Profit/(loss) before taxation		**655,694**	(141,311)
Adjustments for:			
Amortisation of intellectual property rights		**—**	358
Amortisation of prepaid lease payments		**435**	2,435
Depreciation of property, plant and equipment		**5,553**	46,050
Finance cost		**300**	1,263
Impairment loss (reversal) recognised on trade and other receivables		**(1,740)**	1,009
Write down of trade and other receivables		**2,810**	9,300
Bank interest income		**(2,904)**	(3,241)
Fair value changes of:			
— investment properties		**1,303**	—
— held-for-trading investments		**(380,479)**	(91)
— derivative financial instruments		**1,632**	1,731
Loss on disposal of property, plant and equipment		**101**	6,656
Share-based payment expense		**9,269**	18
Share of result of an associate		**461**	650
Direct write-off of inventories		**—**	6,504
(Reversal) write-down of inventories		**(616)**	17,300
Gain (loss) on disposal of subsidiaries	33	**(291,524)**	116,797
Gain on disposal of an associate		**—**	(39)
Loss on disposal of available-for-sale investments		**—**	9
Operating cash flows before movements in working capital		**295**	65,398
Increase in inventories		**(8,909)**	(30,683)
(Increase) decrease in trade and other receivables and prepayments		**(92,475)**	32,029
Increase in held-for-trading investments		**(125,965)**	(5,230)
Increase in bank balances — trust and segregated accounts		**(463,015)**	—
(Increase) decrease in derivative financial instruments		**(1,772)**	831
Increase (decrease) in trade and other payables and accruals		**459,756**	(8,941)
Cash (used in) generated from operations		**(232,085)**	53,404
Hong Kong Profits Tax paid		**(3,471)**	(1,362)
Taxation refund (paid) in other jurisdictions		**35**	(6,608)
Interest paid		**(300)**	(1,263)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(235,821)**	44,171

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES			
Deposits paid for acquisition of property, plant and equipment	22	**(103,352)**	–
Capital injection in an associate	20	**(8,000)**	–
Acquisition of available-for-sale investment		**(5,968)**	–
Purchase of property, plant and equipment		**(2,640)**	(29,081)
Acquisition of subsidiaries	35	**(1,165)**	–
Placement of statutory deposit		**(67)**	–
Acquisition of assets through acquisition of subsidiaries	34	**3,306**	–
Interest received		**2,904**	3,241
Proceeds from disposal of subsidiaries	33	**–**	814,664
Withdrawal of pledged bank deposits		**–**	162,489
Withdrawal of structured bank deposits		**–**	8,970
Proceeds from disposal of an associate		**–**	5,099
Proceeds from disposal of property, plant and equipment		**–**	3,011
Proceeds from disposal of available-for-sale investments		**–**	632
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(114,982)**	969,025
FINANCING ACTIVITIES			
Proceeds from issue of shares upon open offer, net of transaction costs	31	**421,642**	–
Proceeds from issue of shares upon exercise of share options		**28,417**	5,539
New bank loans raised		**1,200**	22,829
Increase in bank overdrafts		**(5,600)**	–
Repayment of bank loans		**(874)**	(226,268)
Dividends paid		**–**	(228,203)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**444,785**	(426,103)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**93,982**	587,093
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**796,969**	219,190
Effect of foreign exchange rate changes		**(983)**	(9,314)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by			
Bank balances (general accounts) and cash		**894,934**	796,969
Bank overdrafts		**(4,966)**	–
		889,968	796,969

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The shares of the Company are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 42.

The functional currency of the Company is United States dollars ("US$"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders, as the Company is listed in Hong Kong.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

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

New and revised HKFRS issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after a date to be determined

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

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and Measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets (e.g. the Group's unlisted investment in equity securities that are currently classified as available-for-sale investments may have to be measured at fair value through profit or loss upon the adoption of HKFRS 9). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the Group's consolidated financial statements.

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

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

The Group is exposed to equity price risk through their held-for-trading investments. The Group's equity price risk is concentrated on equity instruments quoted on the Stock Exchange. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate at 20% is applied as a result of the volatile financial market.

If the price of the respective held-for-trading investments had been 20% (2014: 20%) higher/lower, the profit before taxation of the Group for the year would increase/decrease by HK$85,465,000 (2014: loss before taxation decrease/increase by HK$889,000) respectively, as a result of the changes in fair value of held-for-trading investments.

In management's opinion the sensitivity analysis was unrepresentative of the inherent equity price risk as the year end exposure does not reflect he exposure during the year.

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("Cap 622").

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The principal accounting policies are set out below.

Basis of consolidation

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

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

The Group 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 listed above.

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

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

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

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

Non controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on a acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

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

Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in associate *(continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

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

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transactions will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue and income arising from Securities brokerage business are recognised on the following basis:

- commission income for broking business is recorded as income on a trade date basis;
- underwriting commission income, sub-underwriting income and placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed; and
- interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Other commission income is recognised when services are provided.

Other interest income from a financial asset or money lending business and other financial services is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

The Group's accounting policy for recognitions of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Any revaluation increase arising on the revaluation of land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee

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

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

Leasehold land and building

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

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement schemes, which are defined contribution schemes, are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

For the purpose of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

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

The Group's financial assets at FVTPL are derivatives that are not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurment recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances held in an escrow account and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are neither classified as financial assets at fair value through profit or loss nor loans and receivables.

Since the Group's available-for-sale equity investments do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

***Financial assets** (continued)*

Impairment of financial assets (continued)

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instrument

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Derivative financial instruments

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

Derecognition

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

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

The Group derecognises financial liabilities when, and only when, the Group's obligation are discharged, cancelled or have expired.

Share-based payment arrangement

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment arrangement *(continued)*

Share options granted to employees *(continued)*

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Share options granted to consultants

Equity-settled share based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods and services quality for recognition as assets.

Equity-settled share-based payment transactions

For equity-settled share-based payment transactions, the Group measured the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Impairment losses

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses *(continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Deferred taxation on investment properties

For the purpose of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. In addition, the Group has not recognised any deferred taxes assets on changes in fair value of investment properties during the year ended 31 December 2015 as the directors of the Company believe that it is not probable the deferred tax assets can be utilised in the future.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other 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 within the next financial year.

Estimated impairment of goodwill

Determining where goodwill is impaired requires an estimation of the value in use of cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating until and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of goodwill is HK$42,918,000 (2014: HK$Nil). Details of the recoverable amount calculation are disclosed in note 19.

Estimated impairment loss on trade receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of trade receivables is HK$93,299,000 (net of allowance for doubtful debts of HK$3,185,000) (2014: HK$25,280,000 (net of allowance of doubtful debts of HK$4,640,000)).

Allowance for inventories

The management of the Group reviews its inventories at the end of the reporting period and make allowance for obsolete and slow-moving inventory items identified that no longer suitable for use in production. Management estimates the net realisable value for such items based on the market conditions at the end of reporting period and the latest invoice prices. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2015, the carrying amount of inventories is HK$34,303,000 (net of allowance for inventories of HK$354,000) (2014: HK$26,598,000, net of allowance for inventories of HK$5,216,000).

5. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") in order to allocate resources to the segment and to assess its performance. The Group's Executive Directors is the chief operating decision maker for the purposes of HKFRS 8 as it collectively makes strategic decisions in allocating the Group's resources and assessing performance.

During the year ended 31 December 2015, the Group has acquired new businesses of trading of garments and securities brokerage business which are detailed in note 35. The Group also set up new subsidiaries which are engaged in provision of loan services and other financial services during the year ended 31 December 2015.

For the segment reporting purpose to the CODM, the Group is currently organised into the following four operating and reportable segments:

Medical products and plastic toys business	Manufacturing and distribution of medical care products and plastic toys
Trading of garments	Trading of garments accessories, such as nylon type, polyester and polyester string
Securities brokerage business	Securities brokerage, margin financing and underwriting and placements
Money lending business and other financial services	Provision of loan services and other financial services

In October 2014, the Group discontinued its manufacturing and distribution of juvenile and infant products business ("the Juvenile and Infant Product Business"). The segment information reported below does not include any amounts for the Juvenile and Infant Product Business. Details are set in note 10.

Revenue — continuing operations

An analysis of the Group's revenue by major products and services categories for the year is as follows:

	2015	2014
	HK$'000	*HK$'000*
Medical products	**95,341**	130,850
Plastic toys	**21,588**	23,826
Sales of garment accessories	**23,448**	—
Fee and commission income	**35,254**	—
Interest income from loan receivables	**1,100**	—
	176,731	154,676

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results — continuing operations

The following is an analysis of the Group's revenue and result by reportable and operating segment.

	Medical products and plastic toys business *HK$'000*	**Trading of garments** *HK$'000*	**Securities brokerage business** *HK$'000*	**Money lending business and other financial services** *HK$'000*	**Consolidated** *HK$'000*
For the year ended 31 December 2015					
Segment revenue — external	**116,929**	**23,448**	**35,254**	**1,100**	**176,731**
Segment results	**(37,910)**	**2,562**	**24,508**	**833**	**(10,007)**
Change in fair value of:					
— investment properties					**(1,303)**
— held-for-trading investment					**373,523**
— derivative financial instruments					**(1,632)**
Property rental income					**2,396**
Share of loss of an associate					**(461)**
Unallocated corporate income					**7,484**
Unallocated corporate expenses					**(5,830)**
Profit before tax					**364,170**

	Medical products and plastic toys business *HK$'000*	Trading of garments *HK$'000*	Securities brokerage business *HK$'000*	Money lending business and other financial services *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2014					
Segment revenue — external	154,676	—	—	—	154,676
Segment results	(17,307)	—	—	—	(17,307)
Loss before tax					(17,307)

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment revenue and results — continuing operations *(continued)*

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

For the year ended 31 December 2015, segment result represents the profit earned by/loss from each segment without allocation of change in fair value of investment properties/held-for-trading investment/ derivative financial instruments, property rental income, reversal of deferred consideration recognised, share of loss of an associate, unallocated corporate income and unallocated corporate expenses. This is the measure reported to the CODM for the purpose of resources allocations and performance assessment.

For the year ended 31 December 2014, the CODM reviewed the Group's performance as a whole for the purpose of resources allocation and performance assessment. The Group had only one reporting and operating segment for the year ended 31 December 2014 and no segment analysis is presented other than entity-wide disclosures.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

	Medical products and plastic toys business	Trading of garments	Securities brokerage business	Money lending business and other financial services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2015					
Segment assets	900,072	70,710	662,262	37,228	1,670,272
Investment properties					32,542
Investment in an associate					7,539
Available-for-sale investments					5,968
Deposits paid for acquisition of property, plant and equipment					103,352
Held-for-trading investments					487,332
Bank balances held in an escrow account					34,998
Other unallocated assets					76,077
Total assets					2,418,080
Segment liabilities	(74,221)	(24,358)	(478,095)	(115)	(576,789)
Derivative financial instruments					(285)
Other unallocated liabilities					(66,376)
Total liabilities					(643,450)

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

- all assets, other than investment properties, investment in an associate, available-for-sale investments, deposits paid for acquisition of property, plant and equipment, certain held-for-trading investments, bank balance held in an escrow account and assets of the investment holding companies, are allocated to reportable and operating segments; and

- all liabilities, other than derivative financial instrument and liabilities of the investment holding companies, are allocated to reportable and operating segments.

For the year ended 31 December 2014, no information of segment assets and liabilities is regularly reviewed by the CODM for the assessment of performance of different business activities.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

	Medical products and plastic toys business HK$'000	Trading of garments HK$'000	Securities brokerage business HK$'000	Money lending business and other financial services HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31 December 2015						
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	1,070	–	1,570	–	–	2,640
Depreciation of property, plant and equipment	4,748	–	203	–	602	5,553
Impairment loss reversed on trade receivables	(1,740)	–	–	–	–	(1,740)

Geographical information

The Group's operations are principally located in the People's Republic of China ("PRC") and Hong Kong.

Information about the Group's revenue from external customers is presented based on the locations of the customers.

	2015 *HK$'000*	2014 *HK$'000*
The United States of America	**38,861**	70,260
Europe*	**51,041**	55,205
The PRC (excluding Hong Kong)	**13,507**	7,434
Australia	**2,455**	3,843
South America	**1,511**	1,840
Hong Kong	**52,434**	–
Others*	**16,922**	16,094
	176,731	154,676

* No further analysis by countries in these two categories is presented because the revenue from each individual country is insignificant to the total revenue.

Majority of the non-current assets are located in the PRC and Hong Kong.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Information about major customers

The Group's revenue from external customers is mainly derived from PRC and Hong Kong. For the year ended 31 December 2015, revenue from the largest customer of medical products and plastic toys business amounted to approximately HK$24,592,000 which contributed more than 10% to the Group's total revenue. For the year 31 December 2014, revenue from the two largest customers in respect of medical products and plastic toys business, amounted to approximately HK$46,600,000 and HK$21,900,000, which individually contributed more than 10% of the total sales of the Group.

6. OTHER INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Bank interest income	**2,904**	827	**—**	2,414	**2,904**	3,241
Rental income	**2,396**	476	**—**	—	**2,396**	476
Other commission income	**10,818**	—	**—**	2,785	**10,818**	2,785
Custodian Income	**1,177**	—	**—**	—	**1,177**	—
Sale of scrap materials	**—**	1,903	**—**	6,127	**—**	8,030
Others	**6,975**	2,896	**—**	5,101	**6,975**	7,997
	24,270	6,102	**—**	16,427	**24,270**	22,529

7. OTHER GAINS AND LOSSES

	Continuing operations		Discontinued operation		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Net foreign exchange gain (loss)	**68**	(1,570)	**–**	2,750	**68**	1,180
Loss on disposal of property, plant and equipment	**(101)**	(64)	**–**	(6,592)	**(101)**	(6,656)
Fair value changes of:						
— investment properties	**(1,303)**	—	**–**	—	**(1,303)**	—
— held-for-trading investments	**380,479**	91	**–**	—	**380,479**	91
— derivative financial instruments	**(1,632)**	—	**–**	(1,731)	**(1,632)**	(1,731)
Loss on disposal of available-for-sale investments	**–**	(9)	**–**	—	**–**	(9)
Gain on disposal of an associate	**–**	39	**–**	—	**–**	39
	377,511	(1,513)	**–**	(5,573)	**377,511**	(7,086)

8. FINANCE COST

	Continuing operations		Discontinued operation		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank borrowings and overdraft	**300**	—	**–**	1,263	**300**	1,263

9. INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax:						
Hong Kong Profits Tax	**2,637**	—	**—**	2,294	**2,637**	2,294
PRC Enterprise Income Tax ("EIT")	**387**	782	**—**	723	**387**	1,505
Other jurisdictions	**249**	45	**—**	1,038	**249**	1,083
	3,273	827	**—**	4,055	**3,273**	4,882
(Over)underprovision in prior years:						
Hong Kong Profits Tax	**(189)**	—	**—**	(10)	**(189)**	(10)
PRC Enterprise Income Tax	**(189)**	—	**—**	2,384	**(189)**	2,384
Other jurisdictions	**(21)**	—	**—**	—	**(21)**	—
	(399)	—	**—**	2,374	**(399)**	2,374
Deferred taxation *(note 30)*:						
Current year	**66,096**	(454)	**—**	(2,117)	**66,096**	(2,571)
	68,970	373	**—**	4,312	**68,970**	4,685

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Corporate Income Tax in Taiwan is charged at 17% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

9. INCOME TAX EXPENSE *(continued)*

The income tax expense can be reconciled to the profit (loss) before taxation from the continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015	2014
	HK$'000	*HK$'000*
Profit (loss) before taxation from the continuing operations	**364,170**	(17,307)
Tax at Hong Kong Profits Tax rate of 16.5%	**60,088**	(2,856)
Tax effect of share of result of an associate	**76**	107
Tax effect of expenses not deductible for tax purpose	**9,862**	2,768
Tax effect of income not taxable for tax purpose	**(2,363)**	(2,063)
Tax effect of tax losses not recognised	**1,055**	2,216
Utilisation of tax losses previously not recognised	**—**	(2)
Effect of different tax rates of subsidiaries operate in other jurisdictions	**252**	203
Income tax expense	**68,970**	373

Details of movements in deferred taxation are set out in note 30.

10. DISCONTINUED OPERATION

On 16 June 2014, the Company and its wholly-owned subsidiary, Lerado Group Limited (the "Seller"), entered into a sale and purchase agreement (the "S&P Agreement") with Dorel Industries Inc. and its wholly-owned subsidiary, Maxi Miliaan BV (the "Buyer"), being independent third parties of the Group, pursuant to which the Seller conditionally agreed to sell, and the Buyer conditionally agreed to buy the entire issued share capital of eight wholly-owned subsidiaries of the Company, together with their respective subsidiaries (the "Disposed Subsidiaries") which were engaged in Juvenile and Infant Product Business (the "Disposal"), for a cash consideration of HK$930,000,000 (subject to adjustments as described in note 33). The control and benefits relating to the Disposed Subsidiaries had been transferred to the Buyer on 31 October 2014 (the "Disposal Date") and hence the Group derecognised the relevant assets and liabilities of these subsidiaries on the Disposal Date. After the Disposal, the Group ceased to operate the Juvenile and Infant Product Business and had continued to operate the medical products and plastic toys business. The Juvenile and Infant Product Business was treated and presented as a discontinued operation for the year ended 31 December 2014.

10. DISCONTINUED OPERATION *(continued)*

The profit or loss for the period ended 31 October 2014 from discontinued operation is set out below:

	Ten months period ended 31 October 2014 *HK$'000*
Revenue	1,003,939
Cost of sales	(821,013)
Other income	16,427
Other gains and losses	(5,573)
Marketing and distribution costs	(60,499)
Research and development expenses	(60,553)
Administrative expenses	(78,672)
Finance costs	(1,263)
Income tax expense	(4,312)
Loss for the period from discontinued operation	(11,519)
Add: Estimated loss on disposal of subsidiaries *(note 33)*	(116,797)
Loss for the period from discontinued operation	(128,316)

Loss for the period ended 31 October 2014 from discontinued operation includes the following:

	Ten months period ended 31 October 2014 *HK$'000*
Auditor's remuneration	444
Bank interest income	(2,414)
Depreciation of property, plant and equipment	42,679
Impairment loss on trade and other receivables	—
Write-down of trade and other receivables	9,009
Loss on disposal of property, plant and equipment	6,592
Direct write-off of inventories	2,431
Write-down of inventories to net realisable value	15,584

During the year ended 31 December 2014, the Juvenile and Infant Product Business generated HK$58,505,000 from the Group's net operating cash flows, received HK$136,534,000 in respect of investing activities and used HK$347,512,000 in respect of financing activities.

Further, as mentioned in note 33, the Group has recognised gain on disposal of subsidiaries that took place in prior years of HK$291,524,000 in profit or loss for the year ended 31 December 2015 that is also presented within "discontinued operation" in the consolidated statement of profit or loss and other comprehensive income.

11. PROFIT (LOSS) FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):						
Salaries, allowances and bonuses, including those of directors	**35,945**	30,706	**—**	231,957	**35,945**	262,663
Equity settled share-based payments	**9,269**	18	**—**	—	**9,269**	18
Contributions to retirement benefit schemes, including those of directors	**1,150**	988	**—**	10,452	**1,150**	11,440
Total employee benefits expense, including those of directors	**46,364**	31,712	**—**	242,409	**46,364**	274,121
Amortisation of prepaid lease payments	**435**	442	**—**	1,993	**435**	2,435
Amortisation of intellectual property rights	**—**	—	**—**	358	**—**	358
Auditor's remuneration	**1,788**	1,462	**—**	444	**1,788**	1,906
Cost of inventories recognised as an expense	**126,764**	130,686	**—**	821,013	**126,764**	951,699
Depreciation of property, plant and equipment	**5,553**	3,371	**—**	42,679	**5,553**	46,050
Impairment loss (reversed) recognised on trade receivables	**(1,740)**	1,009	**—**	—	**(1,740)**	1,009
Write down of trade and other receivables	**2,810**	291	**—**	9,009	**2,810**	9,300
Direct write-off of inventories	**—**	4,073	**—**	2,431	**—**	6,504
(Reversal) write-down of inventories to net realisable value	**(616)**	1,716	**—**	15,584	**(616)**	17,300
Bank interest income	**(2,904)**	(827)	**—**	(2,414)	**(2,904)**	(3,241)
Property rental income net of negligible outgoing expenses	**(2,396)**	(476)	**—**	—	**(2,396)**	(476)

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2014: ten) directors and the chief executive are as follows:

2015

	Chief Executive and executive director	Other executive directors			Independent non-executive directors					
	Huang Ying Yuan	Chen Chun Chieh	Huang Shen Kai	Lai Kin Chung Kenneth	Huang Zhi Wei *(note 4)*	Mak Kwong Yiu *(note 6)*	Ye Jianxin	Chern Shyh Feng	Lam Chak Man *(note 9)*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	21	178	120	190	15	524
Salaries and allowances	2,203	1,389	1,419	275	–	–	–	–	–	5,286
Contribution to retirement benefits	–	40	–	13	–	–	–	–	–	53
Total emoluments	2,203	1,429	1,419	288	21	178	120	190	15	5,863

2014

	Chief Executive and executive director	Other executive directors				Independent non-executive directors					
	Huang Ying Yuan	Huang Chen Li Chu *(note 1)*	Chen Chun Chieh	Huang Shen Kai *(note 2)*	Lai Kin Chung Kenneth *(note 3)*	Huang Zhi Wei *(note 4)*	Lim Pat Wah Patrick *(note 5)*	Mak Kwong Yiu *(note 5)*	Ye Jianxin *(note 7)*	Chern Shyh Feng *(note 8)*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	–	239	299	159	5	73	775
Salaries and allowances	2,142	1,060	1,377	509	10	–	–	–	–	–	5,098
Contribution to retirement benefits	–	–	39	–	–	–	–	–	–	–	39
Total emoluments	2,142	1,060	1,416	509	10	239	299	159	5	73	5,912

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

Note 1: Mrs. Huang Chen Li Chu resigned as an executive director on 22 August 2014.

Note 2: Mr. Huang Shen Kai was appointed as an executive director on 22 August 2014. HK$896,000 emoluments were paid to Mr. Huang for the year ended 31 December 2014 for service rendered by him as an employee of the Group prior to his appointment as an executive director.

Note 3: Mr. Lai Kin Chung Kenneth was appointed as an executive director on 15 December 2014.

Note 4: Mr. Huang Zhi Wei resigned as an independent non-executive director on 6 February 2015.

Note 5: Mr. Lim Pat Wah Patrick resigned as an independent non-executive director on 31 December 2014.

Note 6: Mr. Mak Kwong Yiu was appointed as an independent non-executive director on 25 April 2014 and resigned on 2 November 2015.

Note 7: Mr. Ye Jianxin was appointed as independent non-executive director on 15 December 2014.

Note 8: Mr. Chern Shyh Feng resigned as an independent non-executive director on 16 April 2014 and was appointed as an independent non-executive director on 6 February 2015.

Note 9: Mr. Lam Chak Man was appointed as an independent non-executive director on 16 November 2015.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-exeuctive directors' emoluments shown above were mainly for their services as directors of the Company.

Mr. Huang Ying Yuan is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive.

Neither the Chief Executive nor any of the directors waived any emoluments in the year ended 31 December 2015 (2014: nil).

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2014: four) were directors of the Company whose emoluments are included in the disclosure in note 12 above. The emoluments of the remaining two (2014: one) individual for the year ended 31 December 2015 are as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries and other benefits	**1,631**	1,404
Contribution to retirement benefit	**82**	24

Their emoluments were within the following bands:

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

No emoluments were paid by the Group to the directors or the above individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2014 special dividend of HK30 cents per share	**–**	228,203
	–	228,203

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2015 (2014: nil).

15. EARNINGS (LOSS) PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2015	2014
	HK$'000	*HK$'000*
		(restated)
Profit (loss) for the year attributable to owners of the Company, for the purpose of basic and diluted earnings (loss) per share	**586,815**	(145,996)

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,103,797,659**	872,619,408
Effect of dilutive potential ordinary shares in respect of share options	**229,295**	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,104,026,954**	872,619,408

During the year, the Company issued 2,879,030,172 shares at HK$0.15 per share on the basis of three offer shares for every one existing share (the "Open Offer"). The Open Offer was completed on 21 December 2015. Accordingly, the weighted average number of shares for the purposes of basic and diluted earnings (loss) per share have been adjusted for both years. No diluted loss per share is presented for 2014 since their assumed exercise of the share options would result in a decrease in diluted loss per share.

15. EARNINGS (LOSS) PER SHARE *(continued)*

(b) From continuing operations

The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	2015	2014
	HK$'000	*HK$'000*
Profit (loss) for the year from continuing operations	**295,291**	(17,680)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

(c) From discontinued operation

For the year of 2015, basic earnings per share for the discontinued operation is HK26.41 cents per share and diluted earnings per share for the discontinued operation is HK26.40 cents, based on the profit for the year from the discontinued operations of HK$291,524,000 and the denominators detailed above for both basic and diluted earnings per share.

For the year of 2014, adjusted basic loss per share from discontinued operation was HK14.70 cents per share which were calculated based on the loss from discontinued operation for the year 2014 of HK$128,316,000 and the denominators detailed above. No adjusted diluted loss per share was presented for discontinued operation since the assumed exercise of the share options would result in a decrease in adjusted diluted loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings HK$'000 (Note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION							
At 1 January 2014	418,018	7,631	336,494	95,466	14,734	781	873,124
Exchange realignment	(4,673)	(46)	(3,819)	(943)	(179)	19	(9,641)
Additions	3,653	557	14,577	2,326	432	7,536	29,081
Disposals	–	–	(56,460)	(18,846)	(3,699)	–	(79,005)
Disposal of subsidiaries *(note 33)*	(341,139)	(7,526)	(266,924)	(75,276)	(10,000)	(4,370)	(705,235)
Transfer	3,966	–	–	–	–	(3,966)	–
Adjustment on valuation	14,277	–	–	–	–	–	14,277
At 31 December 2014	**94,102**	**616**	**23,868**	**2,727**	**1,288**	**–**	**122,601**
Exchange realignment	**(2,153)**	**–**	**(1,095)**	**(56)**	**(57)**	**–**	**(3,361)**
Additions	**–**	**242**	**278**	**2,027**	**93**	**–**	**2,640**
Disposals	**–**	**–**	**–**	**(691)**	**–**	**–**	**(691)**
Acquisition of assets through acquisition of subsidiaries *(note 34)*	**10,955**	**–**	**–**	**–**	**–**	**–**	**10,955**
Acquisition of subsidiaries *(note 35)*	**–**	**–**	**–**	**84**	**–**	**–**	**84**
Adjustment on valuation	**1,682**	**–**	**–**	**–**	**–**	**–**	**1,682**
At 31 December 2015	**104,586**	**858**	**23,051**	**4,091**	**1,324**	**–**	**133,910**
Comprising:							
At cost	**–**	**858**	**23,051**	**4,091**	**1,324**	**–**	**29,324**
At valuation – 2015	**104,586**	**–**	**–**	**–**	**–**	**–**	**104,586**
	104,586	**858**	**23,051**	**4,091**	**1,324**	**–**	**133,910**

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Land and Buildings HK$'000 (Note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
DEPRECIATION AND IMPAIRMENT							
At 1 January 2014	–	5,801	182,471	80,668	8,562	–	277,502
Exchange realignment	(1,686)	(37)	(2,255)	(726)	(108)	–	(4,812)
Provided for the year	25,131	784	15,789	3,472	874	–	46,050
Eliminated on disposals	–	–	(49,073)	(17,367)	(2,898)	–	(69,338)
Eliminated on disposal of subsidiaries	–	(5,932)	(126,236)	(63,849)	(5,679)	–	(201,696)
Adjustment on valuation	(23,445)	–	–	–	–	–	(23,445)
At 31 December 2014	**–**	**616**	**20,696**	**2,198**	**751**	**–**	**24,261**
Exchange realignment	**(1,348)**	**–**	**(961)**	**(17)**	**(39)**	**–**	**(2,365)**
Provided for the year	**4,307**	**151**	**338**	**627**	**130**	**–**	**5,553**
Eliminated on disposals	**–**	**–**	**–**	**(590)**	**–**	**–**	**(590)**
Adjustment on valuation	**(2,959)**	**–**	**–**	**–**	**–**	**–**	**(2,959)**
At 31 December 2015	**–**	**767**	**20,073**	**2,218**	**842**	**–**	**23,900**
CARRYING VALUES							
At 31 December 2015	**104,586**	**91**	**2,978**	**1,873**	**482**	**–**	**110,010**
At 31 December 2014	94,102	–	3,172	529	537	–	98,340

Note: Owner-occupied leasehold land are included in property, plant and equipment only when the allocation between the land and buildings elements cannot be made reliably.

The above items of property, plant and equipment other than construction in progress and freehold land are depreciated on a straight-line basis at the following rates per annum:

Land and Buildings	2% or the remaining period of the leases, if shorter
Leasehold improvements	10 — 20% or the remaining period of the leases, if shorter
Plant and machinery	10 — 20%
Furniture, fixtures and equipment	20 — $33^1/_3$%
Motor vehicles	20 — 50%

The Group revalued its land and buildings at 31 December 2015 and 31 December 2014. The revaluation gain for the year ended 31 December 2015 amounting to HK$4,641,000 which were credited directly to the property revaluation reserve (31 December 2014: HK$37,722,000).

At 31 December 2015, the land and buildings in Hong Kong and certain buildings in the PRC of an aggregate carrying value of HK$69,733,000 (2014: HK$58,700,000) were valued under direct comparison approach. The remaining buildings in the PRC amounting to HK$34,853,000 (2014: HK$35,402,000) were valued under depreciated replacement costs approach.

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair values measurement of the Group's buildings

The fair value of the Group's land and buildings were revalued at 31 December 2015 and 31 December 2014 by independent property valuers not connected to the Group.

The fair value of the land and buildings in Hong Kong and certain buildings in the PRC were determined based on direct comparison approach by reference the market transaction prices of similar properties in the neighbourhood, and the adjusted based on the nature, location and condition of the property. The fair-value of the remaining buildings in the PRC were determined by using the depreciated replacement cost approach that reflects the cost to a market participant to construct asset of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

In estimating of the fair value of properties, the highest and the best use of the properties is their current use. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. All of the fair value measurements of the Group's land and buildings were categorised into Level 3.

The following table shows the valuation techniques used in the determination of fair values for land and buildings and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December, 2015 *HK$'000*	31 December 2014 *HK$'000*	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs of fair value
Property locates in Hong Kong					
Commercial office units	**60,000**	58,700	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	A slight increase in the price per square feet used would result in a significant increase in the fair value and vice versa.
Properties locates in the PRC					
Commercial office units	9,733	–	Direct Comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	A slight increase in the price per square metre used would result in a significant increase in the fair value and vice versa.

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair values measurement of the Group's buildings *(continued)*

Description	Fair value as at 31 December, 2015 *HK$'000*	31 December 2014 *HK$'000*	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs of fair value
Industrial office units	34,853	35,402	Depreciated replacement cost approach	Adjusted building construction cost after taking into account the difference in individual factor	A slight increase in the building construction cost would result in the increase in the comparable fair value and vice versa.

If the land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation at HK$25,940,000 (2014: HK$17,375,000).

17. PREPAID LEASE PAYMENTS

	2015 *HK$'000*	2014 *HK$'000*
Analysed for reporting purpose as:		
Current asset	419	203
Non-current asset	14,767	16,151
	15,186	16,354

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2014 and 31 December 2014	—
Acquired on an acquisition of assets through acquisition of subsidiaries *(note 34)*	29,365
Acquired on an acquisition of subsidiaries *(note 35)*	6,106
Change in fair value recognised in profit or loss	(1,303)
Exchange realignment	(1,626)
At 31 December 2015	32,542

All of the Group's property interests held under operating lease to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December, 2015 have been arrived at on the basis of a valuation carried out on the respective dates by Peak Vision Appraisals Limited and Sino-Infinite Appraisal Limited, independent qualified professional valuers not connected to the Group.

The fair value of investment properties located in the PRC was determined based on direct comparison approach by reference the market transaction prices of similar properties in the neighbourhood, and adjusted based on the nature, location and condition of the property. For the investment property located in Hong Kong, fair value was determined based on the income approach, which was arrives at by reference to market yield expected by investors for similar type of properties and the net income derives from existing tenancies which due allowance for reversionary income potential of the properties on a recurring basis.

In estimating of the fair value of properties, the highest and the best use of the properties is their current use. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. All of the fair value measurements of the Group's investment properties were categorised into Level 3.

18. INVESTMENT PROPERTIES *(continued)*

The following table shows the valuation techniques used in the determination of fair values for investment properties and unobservable inputs used in the valuation models.

Description	Fair value as a 31 December 2015 *HK$'000*	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
Property located in Hong Kong				
Commercial office units	6,450	Income capitalisation approach	Capitalisation rate of 2.9% and reversionary yield (derives from monthly market unit)	A slight increase in the capitalisation rate would result in a significant decrease in the fair value and vice versa.
Property located in the PRC				
Commercial office units	26,092	Direct comparison approach	Adjusted transaction price after taking into account the difference in location and individual factor such as nature and condition	A slight increase in the price per square meter used would result in a significant increase in the fair value and vice versa.

19. GOODWILL

	HK$'000
At 1 January 2015	—
Arising on an acquisition of subsidiaries *(note 35)*	42,918
At 31 December 2015	42,918

19. GOODWILL *(continued)*

For the purposes of impairment testing, goodwill with indefinite useful lives have been allocated to two individual cash generating units (CGUs), comprising one subsidiary engaged in trading of garments and one subsidiary engaged in securities brokerage business. The carrying amounts of goodwill as at 31 December 2015 allocated to these units are as follows:

	HK$'000
Trading of garments *(Note)*	41,318
Securities brokerage business	1,600
	42,918

During the year ended 31 December 2015, management of the Group determines that there are no impairments of any of the above CGUs containing goodwill.

Notes:

The basis of the recoverable amounts of the CGU from trading of garments and the major underlying assumptions are summarised below:

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 12.5%. The cash flows beyond the 5-year period are extrapolated growth rate ranged from 6% to 15%. Cash flow projection during the 5-year budget period is based on the budgeted sales and expected gross margins and the inflation on cost of sales and expenses during the budget period. Expected cash inflows/outflows, which include budgeted sales, gross margin and inventories price inflation have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU.

20. INVESTMENT IN AN ASSOCIATE

	2015 *HK$'000*	2014 *HK$'000*
Cost of unlisted investment	**8,000**	11,700
Less: impairment loss recognised	**—**	(3,600)
	8,000	8,100
Share of post-acquisition losses and other comprehensive expense	**(461)**	(3,529)
	7,539	4,571
Disposal of an associate *(Note)*	**—**	(4,571)
	7,539	—

Note: On 12 November 2014, Sodium Zone Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Sandmartin International Holdings Limited and its wholly-owned subsidiary, Top Dragon Development Limited, being independent third parties of the Group, for the disposal of 30% interest in Weblink Technology Limited ("Weblink"), an associate of the Group, at a consideration of HK$5,099,000 (the "Associate Disposal Transaction"). The Associate Disposal Transaction was completed and its consideration was fully settled by cash during the year ended 31 December 2014.

Details of the Group's associate as at 31 December 2015 are as follows:

Name of associate	Form of business structure	Place of incorporation	Issued and fully paid share capital	Effective interest in the issued share capital	Principal activity
Fullsino Management Limited ("Fullsino")*	Incorporated	Hong Kong	HK$20,000,000	40%	Provision of beauty and wellness services

* Fullsino was newly set up by the Group and shareholders of Fullsino on 3 July 2015.

20. INVESTMENT IN AN ASSOCIATE *(continued)*

Summarised financial information of Fullsino Management Limited at 31 December 2015 is set out below:

	HK$'000
Total assets	19,130
Total liabilities	(283)
Net assets	18,847
Group's share of net assets	7,539
Revenue	—
Loss for the year and total comprehensive income	(1,153)
Group's share of loss and other comprehensive expenses of the associate for the year	(461)

21. AVAILABLE-FOR-SALE INVESTMENTS

The Group's non-current available-for-sale investments at 31 December 2015 and 2014 represent investment in unlisted equity securities issued by a private entity established in the PRC which does not have a quoted market price in an active market. As the range of reasonable fair value estimates is so significant, the corresponding fair values cannot be measured reliably. Accordingly, the investment is measured at cost less impairment at the end of reporting period. The available-for-sale investments at 31 December 2014 was fully impaired in prior years.

During the year ended 31 December 2014, the Group disposed of available-for-sale investments in the unlisted equity securities issued by a private entity established in Taiwan to independent third parties at a consideration of HK$632,000 and a loss on disposal of available-for-sale investments amounted to HK$9,000 was recognised in the profit or loss.

22. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

On 15 April 2015 and 27 May 2015, a subsidiary of the Company, 駿勝世紀科技(深圳)有限公司("駿勝世紀"), entered into various agreements (the "Property Agreements") with an independent third party (the "Property Vendor") to acquire 48 blocks of villa under development (the "Properties") located at Dawa County of Liaoning Province, the PRC, on behalf of a subsidiary of the Company incorporated in Hong Kong at an aggregate consideration of RMB81,503,000 (equivalent to HK$103,352,000) (the "Property Consideration"). The Group intended to develop the Properties as an elderly centre and the Properties are expected to be completed in early 2016 and expected to commence providing business services for the elderly in 2016. Pursuant to the Property Agreements, both 駿勝世紀 and the Property Vendor agreed that if the Properties constructed by the Property Vendor cannot fulfill certain criteria for operating as an elderly centre within 8 months after 27 May 2015, 駿勝世紀 has absolute discretion to demand the Property Vendor to repurchase the Properties at the Property Consideration plus certain amount of compensation as detailed in the announcement of the Company dated 28 May 2015.

At the end of reporting period, the amount of HK$103,352,000 paid to the Property Vendor has been recognised as deposit paid for acquisition of property, plant and equipment in the consolidated statement of financial position. Subsequent to the end of the reporting period, the construction of properties has not yet been completed and it is under negotiation with the Property Vendor. The directors of the Company do not believe that there is any impairment on these deposits at this early stage.

23. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Raw materials	**21,886**	16,775
Work in progress	**2,600**	6,522
Finished goods	**9,817**	3,301
	34,303	26,598

During the year, a reversal of allowance, HK$616,000 (2014: allowance of HK$17,300,000) was made on obsolete and slow-moving inventory items identified.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2015 *HK$'000*	2014 *HK$'000*
Trade receivables arising from:		
Medical products and plastic toys business and trading of garments *(Note a)*	**42,519**	29,920
Less: allowance for doubtful debts	**(3,185)**	(4,640)
	39,334	25,280
Trade receivables arising from securities brokerage business *(Note b):*		
— Cash clients	**9,945**	—
— Margin clients	**43,858**	—
— Clearing house	**162**	—
Total trade receivables	**93,299**	25,280
Purchase deposits, other receivables and deposit	**63,579**	18,630
Prepayments	**4,400**	6,770
Total trade and other receivable and prepayments	**161,278**	50,680

Notes:

(a) The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of reporting period, which approximated the respective revenue recognition dates.

	2015 *HK$'000*	2014 *HK$'000*
Within 30 days	**12,064**	9,829
31 to 90 days	**6,722**	13,445
Over 90 days	**20,548**	2,006
	39,334	25,280

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

Included in the trade receivable balance are debtors with aggregate carrying amount of HK$24,452,000 (2014: HK$10,233,000) which are past due at the end of reporting period for which the Group has not provided for impairment loss after consideration of the credit quality of those individual customers, the ongoing relationship with the Group, the aging of these receivables and their subsequently settlement pattern. The Group does not hold any collateral over these balances.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

Notes: (continued)

(a) *(continued)*

The Group has a concentration of credit risk of 70% (2014: 73%) of the trade receivables of medical product and plastic toys business and a concentration risk of 43% (2014: nil) of trade receivables of trading of garments as at 31 December 2015. These trade receivables were due from the Group's five largest trade customers of respective segments. These five largest customers of respective segments are reputable traders. Management perform periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant. The management is of the view that the allowance made is adequate taking into account the historical experience in the collection of trade receivables from these five largest customers.

Ageing of trade receivables which are past due but not impaired

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**2,890**	6,761
31 to 90 days	**11,637**	3,203
Over 90 days	**9,925**	269
Total	**24,452**	10,233

Movement in the allowance for trade receivables

	2015	2014
	HK$'000	*HK$'000*
Balance at beginning of the year	**4,640**	6,766
Impairment loss (reversed) recognised on trade receivables	**(1,740)**	1,009
Acquisition of subsidiaries *(Note 35)*	**2,178**	—
Amounts written off as uncollectible	**(1,893)**	—
Disposal of subsidiaries	**—**	(3,135)
Balance at end of the year	**3,185**	4,640

Included in trade receivables are amounts net of individually impaired receivables amounting to HK$3,185,000 (2014: HK$4,640,000). The directors of the Company take into consideration the current financial position of the counterparties and their repayment history and consider that the chances of collection of the outstanding amounts are remote.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

Notes: (continued)

(b) The normal settlement terms of trade receivables from cash clients and securities clearing house are two days after trade date.

Included in the trade receivables from cash clients are debtors with the aggregate carrying amount of HK$8,783,000 (2014: nil) which have been past due but the directors of the Company consider that no impairment is required as there has not been a significant change in credit quality and a substantial portion of the carrying amount is subsequently settled after the end of the reporting period.

In respect of trade receivables from cash clients which are past due but not impaired at the end of the reporting period, all of them are aged within 30 days (from settlement date).

The trade receivables from cash clients with a carrying amount of HK$1,162,000 (2014: nil) are neither past due nor impaired at the end of the reporting period and the directors of the Company are of the opinion that the amounts are recoverable.

Trade receivables from margin clients amounting to HK$43,858,000 as at 31 December 2015 are secured by clients' pledged securities with fair value of HK$3,197,000,000 (2014: nil). All of the pledged securities are listed equity securities in Hong Kong. The loans are repayable on demand subsequent to settlement date and carry interest at Hong Kong Prime rate plus margin that ranges from 3% to 7% per annum (2014: nil). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

The Group has concentration of credit risk as 83% (2014: nil) of the total loans to margin clients was due from the Group's five largest margin clients. The whole amount is secured by clients' pledged securities with the fair value of HK$183,233,000 as at 31 December 2015. The Group believes that the amount is considered recoverable given the collateral is sufficient to cover the entire balance on individual basis. No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

In determining the allowances for impaired loans to margin clients, the management of the Group considers the margin shortfall by comparing the market value of stock portfolio and the outstanding balance of loan to securities margin clients individually. Impairments are made for those clients with margin shortfall as at year end and with no settlement after the year end. No impairment allowance noted as at year end.

In addition to the individually assessed allowances for impaired debts, the Group has also assessed, on a collective basis, a loan impairment allowance for accounts receivable arising from the business of dealing in securities with margin clients that are individually insignificant or accounts receivable where no impairment has been identified individually. Objective evidence of collective impairment could include the Group's past experience of collecting payments, internal credit rating and observable changes in national or local economic conditions that correlate with default on receivables. No significant amount of collective impairment allowance is considered necessary based on the Group's evaluation.

25. HELD-FOR-TRADING INVESTMENTS

	2015 **HK$'000**	2014 *HK$'000*
Equity securities listed in Hong Kong	**511,765**	5,321

	The fair value of the held-for-trading investments as at 30 March 2016* **HK$'000**	The fair value of the held-for-trading investments as at 31 December 2015 *HK$'000*
China Jicheng Holdings Limited ("CJHL")	**363,889**	405,308
China Kingstone Mining Holdings Limited ("CKMHL")	**11,891**	24,434
Others	**112,210**	82,023
	487,990	511,765

* *The figures are for illustration purpose only. In order to illustrate the fair value change of the held-for-trading investments of the Group as at 31 December 2015, the number of shares held in these investments as at 30 March 2016 are assumed remain unchanged as at 31 December 2015.*

CJHL is principally engaged in the manufacturing and sale of POE umbrellas and nylon umbrellas and umbrella parts such as plastic cloth and shaft to its customers. CKMHL is principally engaged in mining, processing and trading of the marble stones and marble-related products.

The Group has recorded a gain on fair value changes of held for trading investments for the year ended 31 December 2015 of approximately HK$380.5 million (2014: HK$91,000) which was mainly arise from the gain on fair value change of investment in CJHL of approximately HK$399.5 million. However, the stock market in Hong Kong became volatile and thus the fair value of the held-for-trading investments as at 31 December 2015 on 30 March 2016 has decreased by 4.6%.

As at 31 December 2015, 79% of the held-for-trading investments represented investments in China Jicheng Holdings Limited, a company listed on the main board of the Stock Exchange.

The fair value of measurement of the Group's held-for-trading investments were categorised into Level 1 and fair value have been determined by reference to the quoted market bid prices available on the relevant exchanges.

26. BANK BALANCES AND CASH

Bank balances-trust and segregated accounts

The Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Group has also recognised the corresponding trade payables to respective clients and other respective clients and other institutions (note 27). However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amount comprise balances and cash held by the Group and short term bank deposit. At 31 December 2015, bank balances and short term bank deposits carried interest at market rates ranging from 0.01% to 3% (2014: 0.01% to 2.1%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2015	2014
	HK$'000	*HK$'000*
RMB	**13,167**	1,964
US$	**78,504**	17,446
EURO	**1,004**	1,119
New Taiwan dollars ("NTD")	**—**	187
HK$	**535,345**	611,862

27. TRADE AND OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	*HK$'000*
Trade payables arising from medical products and plastic toys business and trading of garments	**24,962**	24,252
Trade payables arising from securities brokerage business		
— Cash clients	**101,008**	—
— Margin clients	**364,575**	—
— Clearing house	**653**	—
Total trade payables	**491,198**	24,252
Accrued expenses	**1,531**	10,597
Other payables	**31,532**	55,770
	524,261	90,619

27. TRADE AND OTHER PAYABLES AND ACCRUALS *(continued)*

The following is an aged analysis of trade payables from medical products and plastic toys business and trading of garments presented based on the invoice date at the end of the reporting period:

	2015 *HK$'000*	2014 *HK$'000*
Within 30 days	**12,520**	13,310
31 to 90 days	**6,960**	429
Over 90 days	**5,482**	10,513
	24,962	24,252

The average credit period on purchases of goods from medical products and plastic toys business and trading of garments is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The settlement terms of trade payable arising from the securities brokerage business are two days after trade date or at specific terms agreed with clearing house. Trade payables to cash and margin clients are repayable on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

As at 31 December 2015, the trade payables amounting to HK$463,015,000 were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

28. BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank overdrafts	4,966	—
Bank loans	6,574	—
	11,540	—
Analysed as:		
Secured	10,130	—
Carrying amount repayable that contain a repayable on demand clause:*		
Within one year	6,062	—
More than one year but not more than two years	1,106	—
More than two years but not more than five years	1,070	—
More than five years	3,302	—
	11,540	—

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's borrowings were at variable-rate interest ranged from Hong Kong Prime rate plus 2.20% to 4.50% per annum (2014: Nil).

For the year ended 31 December 2015, the Group has pledged investment properties with fair value of approximately HK$6,450,000 to secure the Group's borrowings of HK$5,221,000 and general banking facilities granted to the Group. The Group's borrowings of HK$4,909,000 and HK$1,410,000 are secured by the properties owned by director of a subsidiary of the Company and guarantee provided by the Government of the Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee Scheme respectively.

29. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into forward foreign exchange contracts to cover the anticipated foreign currency exposures. The Group is a party to a number of forward foreign exchange contracts in the management of its exchange rate exposures. All contracts are settled net with the counterparties.

During the year ended 31 December 2015, fair value losses of approximately HK$1,632,000 was recognised directly in profit or loss.

29. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The details of outstanding forward foreign exchange contracts as at 31 December 2015 to which the Group is committed are as follows:

Buy	Sell	National amount	Maturity date	Contracted exchange rate
RMB	HK$	HKD800,000	5 April 2016	RMB0.78

30. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years:

	Difference between accounting and tax depreciation	Revaluation of properties	Withholding income tax	Others	Fair value change on held-for-trading investments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	(3,688)	56,978	19,671	(1,345)	–	71,616
Exchange realignment	–	–	(104)	(17)	–	(121)
Credit to profit or loss	(454)	–	(1,648)	(469)	–	(2,571)
Release upon disposal of subsidiaries	–	(47,422)	(17,919)	1,831	–	(63,510)
Charge to other comprehensive income	–	8,840	–	–	–	8,840
At 31 December 2014	(4,142)	18,396	–	–	–	14,254
(Credit) charge to profit or loss	(43)	–	–	–	66,139	66,096
Charge to other comprehensive income	–	857	–	–	–	857
At 31 December 2015	(4,185)	19,253	–	–	66,139	81,207

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$2,364,000 (31 December 2014: HK$1,218,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2015, the Group had unused tax losses of HK$40,511,000 (2014: HK$55,117,000) available for offset against future profits. Deferred tax assets thereon have not been recognised because of the unpredictability of future profit streams. The unused tax losses of HK$40,511,000 will expire in 2016 to 2020 (2014: HK$55,117,000 will expire in 2015 to 2018).

31. SHARE CAPITAL

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 31 December 2015	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2014	753,482,724	75,348
Exercise of share options	7,194,000	720
At 31 December 2014	760,676,724	76,068
Exercise of share options	48,000,000	4,800
New shares issued as consideration for the acquisition of assets through acquisition of subsidiaries *(note 34)*	76,000,000	7,600
New shares issued as consideration for the acquisition of subsidiaries *(note 35)*	75,000,000	7,500
Issued of shares upon the Open Offer	2,879,030,172	287,903
At 31 December 2015	3,838,706,896	383,871

The shares issued during the both years rank pari passu with the existing shares in all respects.

Note: The Open Offer resulting in gross proceeds of approximately HK$431,855,000 to the Company. Transaction costs attributable to the Open Offer amounted to approximately HK$10,213,000.

32. SHARE OPTIONS

2002 Scheme

The Company adopted a share option scheme, which was approved at the Company's annual general meeting held on 30 May 2002 (the "2002 Scheme"), for the primary purpose of providing incentives to directors and eligible participants. According to the 2002 Scheme, the board of directors of the Company may offer to grant share options to eligible employees, including directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contribution to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

32. SHARE OPTIONS *(continued)*

2002 Scheme *(continued)*

Any offer to grant share options should be accepted within 30 days from the date of offer. The total number of shares in respect of which options may be granted under the 2002 Scheme and any other share option scheme of the Company at any time shall not exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which share options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Share options granted to substantial shareholders or any of its associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The directors may at its absolute discretion determine the period during which a share option may be exercised, such period to expire not later than 10 years from the date of grant of the share option. No option may be granted more than 10 years after the date of approval of the 2002 Scheme. Subject to earlier termination by the Company in general meeting or by the Board's meeting, the 2002 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2002 Scheme. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's shares on the date on which the share option is offered, (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of offer, and (iii) the nominal value of the share.

On 18 January 2012, the Company granted share options to certain eligible employees (excluding directors) to subscribe for a total of 15,000,000 shares in the Company (equally divided into two batches, namely Batch I and Batch II) at an exercise price of HK$0.77 per share under the 2002 Scheme. These eligible employees have rights to exercise their respective share options at any time during the period from the date after the share options have been vested (i.e. 18 January 2013 for Batch I and 18 January 2014 for Batch II) to the expiry date (i.e. 17 January 2017 for both batches).

2012 Scheme

The 2002 Scheme was expired on 31 May 2012. The Company adopted a new share option scheme (the "2012 Scheme"), which was approved in the Company's annual general meeting on 28 May 2012 with the view to motivate the eligible participants.

Except that no further options may be granted under the 2002 Scheme subsequent to its expiration, all the other provisions of the 2002 Scheme will remain in force so as to give effect to the exercise of all outstanding options granted under the 2002 Scheme and all such options will remain valid and exercisable in accordance with the provisions of the 2002 Scheme.

According to the 2012 Scheme, the board of directors of the Company may offer to grant an option to any full-time employees, executives or officers, directors of the Company or any of its subsidiaries and any suppliers, consultants, agents and advisers who have contributed to the Group. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

32. SHARE OPTIONS *(continued)*

2012 Scheme *(continued)*

In general, the maximum number of shares in respect of which options may be granted under the 2012 Scheme and under any other share option scheme of the Company must not exceed 10% of the total number of shares in issue, excluding for this purpose shares which would have been issuable pursuant to option which have lapsed in accordance with the terms of the 2012 Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2012 Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant without prior approvals of the shareholders. Share options granted to connected persons in excess of 0.1% of the shares in issue or having a value in excess of HK$5 million must be approved in advance by the Company's shareholders in general meeting.

The directors may in its absolute discretion determine the period during which an option may be exercised, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2012 Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors, the 2012 Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2012 Scheme. The exercise price shall be determined by the board of directors and must not be less than the highest of (i) the official closing price of the Company's shares on the date of grant, (ii) the average of the official closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share.

No option was granted under the 2012 Scheme during the year ended 31 December 2014.

The following table discloses movements in the Company's share options during the year ended 31 December 2015 and 2014:

		Number of share options								
Date of grants		Outstanding at 1 January 2014	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2014	Granted during the year	Exercised during the year	Lapsed during the year	Adjustment due to Open Offer	Outstanding at 31 December 2015
Employees	18 January 2012 (Batch I)	5,103,000	(3,597,000)	(1,409,000)	97,000	–	–	(67,000)	4,560	34,560
Employees	18 January 2012 (Batch I)	5,103,000	(3,597,000)	(1,409,000)	97,000	–	–	(67,000)	4,560	34,560
Employees and consultants*	12 February 2015	–	–	–	–	75,000,000	(48,000,000)	–	4,104,000	31,104,000
Exercisable at the end of the year		–			194,000					31,173,120
Weighted average exercise price		0.77			0.77					0.514

* The consultants are not connected parties of the Group and have provided business relations services to the Group for the year ended 31 December 2015.

32. SHARE OPTIONS *(continued)*

2012 Scheme *(continued)*

Details of specific categories of share options are as follows:

Date of grant	Vesting period	Exercisable period	Original exercise exercise price *HK$*	Adjusted exercise price with effect to price Open Offer *HK$*
18 January 2012 (Batch I)	12 months	18 January 2013 — 17 January 2017	0.77	0.668
18 January 2012 (Batch II)	24 months	18 January 2014 — 17 January 2017	0.77	0.668
12 February 2015	N/A	12 February 2015 — 11 February 2017	0.592	0.514

In respect of the share options exercised for the year ended 31 December 2015, the weighted average share price at the dates of exercise was HK$0.55 (2014: HK$1.09).

During the year ended 31 December 2015, option was granted on 12 February 2015 with fair values of HK$9,269,000.

In respect of the share options granted on 12 February 2015, the fair values were calculated using the Black-Scholes option pricing model (the "Black-Scholes Model"). The inputs into the model were as follows:

	2015
Number of options granted	75,000,000
Share price at grant date	HK$0.504
Original exercise price	HK$0.592
Expected volatility	56%
Expected life	1 year
Risk-free rate	0.121%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over past 1 years up to valuation date.

The Group recognised HK$9,269,000 for the year ended 31 December 2015 (2014: HK$18,000) share-based payment expenses (included in administrative expenses) in relation to share options granted by the Company.

32. SHARE OPTIONS *(continued)*

2012 Scheme *(continued)*

During the year ended 31 December 2015, the Company repriced of its outstanding options with the effect of Open Offer. The exercise price of share options granted on 18 January 2012 adjusted from HK$0.77 to HK$0.668 and the exercise price of share options granted on 12 February 2015 adjusted from HK$0.592 to HK$0.514. The directors of the Company are in the opinion that the incremental fair value has no significant impact to these consolidated financial statements.

The Black-Scholes Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options were based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

33. DISPOSAL OF SUBSIDIARIES

As mentioned in note 10, The Group entered into a S&P Agreement with the Buyer in respect of the Disposal on 16 June 2014, by which control and benefits relating to the Disposed Subsidiaries had been transferred to the Buyer on 31 October 2014.

In accordance with the S&P Agreement, the consideration of HK$930,000,000 (the "Consideration") is subject to adjustments based on any difference between (1) the reference net assets value (the "Reference NAV") of HK$840,000,000 as stated in the S&P Agreement and (2) the net asset value of the Disposed Subsidiaries as of the Disposal Date adjusted for certain items as specifically stated in the S&P Agreement ("the Actual NAV") as determined pursuant to the accounting policies as agreed under the S&P Agreement in the completion accounts. As at 31 December 2014, cash consideration of HK$852,446,000 had been received by the Group and the remaining consideration of HK$77,554,000 had been kept in an escrow account on behalf of the Group and the Buyer in accordance with the S&P agreement which will be released to the Group at the following date, which is the later of (i) 30 April 2015 and (ii) the date when all claims initiated against the Group in the capacity as the Seller prior to 30 April 2015 have been resolved or withdrawn.

In accordance with the S&P Agreement, if the Actual NAV is greater than the Reference NAV, the Buyer will pay the Group the difference. However, if the Actual NAV is lower than the Reference NAV, the Group will pay the Buyer the difference.

On 8 January 2015, the Buyer had requested a significant downward adjustment to the Consideration of HK$307,426,000 (the "Adjustment") based on the draft completion accounts prepared by the Buyer. Out of the Consideration, consideration of HK$622,574,000 was not in dispute between the Group and the Buyer. The Group's entitlement to the remaining consideration of HK$307,426,000 was still subject to possible adjustments to the Actual NAV pending the finalisation of the completion accounts of the Disposed Subsidiaries and a report issued by an independent accountant regarding what appropriate adjustments shall be made to the Actual NAV (an independent accountant may be appointed when the Group and the Buyer cannot reach agreements on what the Actual NAV is in accordance with the S&P Agreement).

33. DISPOSAL OF SUBSIDIARIES *(continued)*

For the above reasons, consideration in dispute of HK$307,426,000 had been recognised as a deferred consideration (the "Dispute") and included in the Group's current liabilities as at 31 December 2014. An amount of HK$77,554,000 which was kept in the escrow account on behalf of the Group and the Buyer, was separately presented in the Group's consolidated statement of financial position.

	HK$'000
Adjusted Consideration	
Cash consideration received in 2014	852,446
Cash kept in an escrow account received on behalf of the Group and the Buyer	77,554
Total consideration received by the Group	930,000
Less: deferred consideration	(307,426)
Consideration that is not in dispute between the Group and the Buyer	622,574

The net assets of Disposed Subsidiaries on the Disposal Date were as follows:

	2014 *HK$'000*
Property, plant and equipment	503,539
Prepaid lease payments	95,230
Intellectual property rights	128
Deposits paid for lease premium of land	1,083
Inventories	244,422
Amounts due from the Group	32,855
Trade and other receivables	229,675
Bank balances and cash	37,782
Trade and other payables and accruals	(223,331)
Taxation payable	(5,946)
Deferred tax liabilities	(63,510)
Net assets disposed of	851,927

33. DISPOSAL OF SUBSIDIARIES *(continued)*

	2014
	HK$'000
Estimated loss on disposal of Disposed Subsidiaries	
Consideration that is not in dispute between the Group and the Buyer	622,574
Net assets disposed of	(851,927)
Release of cumulative translation reserve upon Disposal	155,911
Estimated professional fees and other expenses directly attributable to the Disposal	(12,747)
Estimated loss on Disposal before taxation	(86,189)
Estimated taxes related to the Disposal *(Note)*	(30,608)
Estimated loss on Disposal after taxation	(116,797)
Net cash inflow arising on disposal	
Cash consideration received	852,446
Less: cash and cash equivalent disposed of	(37,782)
	814,664

Note: Taxation consisted of (i) PRC enterprise income tax ("PRC EIT") of HK$25,000,000 estimated based on tax rate of 10% in relation to the transfer of equity interests in certain disposed subsidiaries established in the PRC and (ii) PRC EIT/land appreciation tax ("LAT") of HK$5,608,000 estimated based on PRC EIT tax rate of 15%/LAT effective tax rate of 32% according to the progressive tax rate system in relation to the transfer of certain land and buildings located in the PRC back to a subsidiary of the Company.

The result relating to the Disposal for the year ended 31 December 2014 are disclosed in note 10.

Subsequent to 31 December 2015, the Company announced that the Group has reached a final agreement with the Buyer on 1 March 2016 to settle the Dispute between the Group and the Buyer by which both parties jointly instructed the escrow agent to arrange the transfer of US$5,474,000 to the Buyer and transfer of the remaining escrow sum to the Group. According to the relevant settlement agreement with the Buyer, the Group and the Buyer agreed not to dispute further. In the opinion of the directors of the Company, the above supported their view as at 31 December 2015 that the Group is entitled to the deferred consideration and accordingly the deferred consideration of HK$307,426,000 has been released to the profit and loss for the year ended 31 December 2015 as an adjusting event after the end of the reporting period. The Group has recognised a gain on disposal of subsidiaries that took place in prior years of HK$291,524,000 (net of transaction costs) in profit or loss for the year ended 31 December 2015 that is also presented within "discontinued operation" in the consolidated statement of profit or loss and other comprehensive income.

Details are set out in the announcement of the Company dated 1 March 2016.

34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 31 March 2015, a wholly-owned subsidiary of the Company entered into an agreement with China Investment and Finance Group Limited ("CIFG"), an independent third party of the Group and a company listed on the main board of the SEHK, to purchase the entire issued share capital of Garron International Strategic Limited, a wholly-owned subsidiary of CIFG for cash consideration of HK$1,000,000 and issuance and allotment of 76,000,000 ordinary shares of the Company. The transaction was completed on 17 April 2015. The amounts recorded in the share capital and share premium of the Company were determined based on the fair value of the property, plant and equipment and investment properties at the completion date of transactions.

Fair value of assets and liabilities recognised at the date of acquisition:

	HK$'000
Net assets acquired:	
Property, plant and equipment	10,955
Investment properties	29,365
Other receivables	2
Bank balances and cash	4,306
Other payables	(215)
Net assets	44,413
Satisfied by:	
Cash consideration paid	1,000
Ordinary shares issued	43,413
	44,413
Net cash inflow arising on acquisition:	
Consideration paid in cash	(1,000)
Less: Bank balances and cash acquired	4,306
	3,306

35. ACQUISITION OF SUBSIDIARIES

(a) On 26 May 2015, the Company entered into an agreement (the "Acquisition Agreement") with China Automotive Interior Decoration Holdings Limited ("CAID"), an independent third party of the Group and a company listed on the main board of SEHK, to purchase the entire issued share capital of Oriental Strategic Limited ("OSL"), a wholly-owned subsidiary of CAID by issuance and allotment of 75,000,000 ordinary shares of the Company. The transaction was completed on 16 June 2015 (the "Acquisition Date").

OSL and its wholly-owned subsidiary ("OSL Group") are principally engaged in trading of garment accessories, such as nylon tape, polyester tape and polyester string, which is mainly carried out by the wholly-owned subsidiary of OSL.

Pursuant to the Acquisition Agreement, CAID warrants and represents to the Group that for the period from 1 April 2014 to 30 September 2015, that the consolidated net profit after tax of OSL Group shall not be less than HK$4 million ("Warrants"). Based on completion account for the period from 1 April 2014 to 30 September 2015, the consolidated net profit after tax of OSL Group was more than HK$4 million and thus no compensation was received by the Group related to the Warrants.

Assets and liabilities recognised at the date of acquisition:

	HK$'000
Current assets	
Trade and other receivables (net of allowance of HK$2,178,000)	19,725
Bank balances and cash	247
	19,972
Non-current assets	
Investment properties	6,106
Current liabilities	
Trade and other payables	4,055
Bank borrowings	6,248
Bank overdraft	5,600
Tax payable	68
Derivative financial instruments	425
	16,396
Net assets acquired	9,682

35. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) *(continued)*

The receivables acquired (principally comprised of trade receivables with a fair value of HK$13,671,000 at the date of acquisition with gross contractual amounts of HK$15,849,000 and net of allowance of doubtful debt HK$2,178,000). All of the contractual cash flows are expected to be collected.

Goodwill arising on acquisition:

	HK$'000
Fair values of ordinary shares issued determined based on the market value on 16 June 2015	51,000
Less: recognised amount of identifiable net assets acquired	(9,682)
Goodwill arising on acquisition	41,318

Net cash inflow arising on acquisition

Bank balances and cash acquired	247

Goodwill arose on the acquisition of OSL Group because of expected synergies, revenue growth and future market development in the garment business.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been HK$194,625,000, and profit for the year would have been HK$296,514,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

(b) On 23 February 2015, a wholly-owned subsidiary of the Company, Red Honour Holdings Limited ("Red Honour"), entered into a sale and purchase agreement with the vendors, independent third parties of the Group, pursuant to which the vendors conditionally agreed to sell, and Red Honour conditionally agreed to buy the entire issued share capital of Yim Cheong Share Broking and Investment Company Limited ("Yim Cheong") (the "Target") for a cash consideration of HK$1,600,000 and plus the amount equal to the net asset value of the Yim Cheong on the completion date recognised in the accounting books under the HKFRS (the "Acquisition"). The Acquisition was completed on 2 July 2015. Yim Cheong is principally engaged in securities brokerage business and intends to engage in margin financing business once the Acquisition is completed. Yim Cheong has subsequently changed the name to Black Marble Securities Limited on 8 July 2015.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) *(continued)*

Assets and liabilities recognised at the date of acquisition:

	HK$'000
Non-current assets	
Property, plant and equipment	84
Statutory deposits placed with clearing house	205
	289
Current assets	
Prepayment, deposits and other receivables	16
Bank balances and cash	20,119
	20,135
Current liabilities	
Accruals and other payables	493

Goodwill arising on acquisition:

	HK$'000
Cash consideration	21,531
Less: recognised amount of identifiable net assets acquired	(19,931)
Goodwill arising on acquisition	1,600

Goodwill arose on the acquisition of Yim Cheong because the acquisition included the assembled workforce of Yim Cheong. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged either individually or together with any related contracts.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) *(continued)*

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash flow arising on acquisition

	HK$'000
Consideration paid in cash	21,531
Less: cash and cash equivalent balances acquired	(20,119)
	1,412

Had the acquisition been completed on 1 January 2015, total group revenue for the year would have been HK$176,731,000, and profit for the year would have been HK$294,436,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

36. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that its subsidiaries will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remain unchanged from prior year.

The capital structure of the Group consists of net debt which includes borrowings disclosed in note 28, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, share premium, special reserve, property revaluation reserve, statutory surplus reserve fund, enterprise expansion fund, translation reserve, share option reserve, capital redemption reserve and accumulated profits, as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure annually. As part of this review, the directors of the Company assess the annual budget prepared by management of the Company. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through new share issues, as well as issue of new debts and repayment of existing debts.

A subsidiary of the Company is regulated by the Hong Kong Securities and Futures Commission ("SFC") and is required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The Group's regulated entity is subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015	2014
	HK$'000	*HK$'000*
Financial assets		
Held-for-trading investments	**511,765**	5,321
Loans and receivables (including cash and cash equivalents)	**1,545,982**	917,266
Available-for-sale financial assets	**5,968**	—
Financial liabilities		
Amortised cost	**533,106**	76,292
Derivative financial instruments	**285**	—

(b) Financial risk management objectives and policies

The Group's major financial instruments include held-for-trading investments, available-for-sale investments, trade and other receivables, bank balances and cash, bank balances held in escrow account, trade and other payables, derivative financial instruments and borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, market risk (currency risk, interest rate risk and other price risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's principal financial assets include held-for-trading investments, trade and other receivables, bank balances held in an escrow account and bank balances and cash. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2015 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The exposure of credit risk on held-for-trading investments is limited as they are issued by the holding companies listed on the Stock Exchange.

In order to minimise the credit risk of trade receivables from medical products and plastic toys business and trading of garments, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group only extends credit to trade customers based on careful evaluation of the customers' financial conditions and credit history. Credit sales of products are made to trade customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors consider that the Group's exposure to bad debts and concentration risk is minimal.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

In order to minimise the credit risk on securities brokerage business and money lending business and other financial services, the directors of the respective operating subsidiaries compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the directors of the respective operating subsidiaries review the recoverable amount of trade receivable and the receivables from margin clients are secured by client's pledged securities which are listed equity securities in Hong Kong, as disclosed in note 24 respectively on an individual and collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group does not have any other significant concentration of credit risk.

Market risk

(i) *Currency risk*

Foreign currency risk management

The Group's exposure to currency risk mainly arises from fluctuation of foreign currencies against the functional currency of relevant Group entities, including RMB, US$, HK$, EURO and NTD.

The functional currencies of the Group's principal subsidiaries are HK$, US$ and RMB. While most of the Group's operations are transacted in the functional currency of the respective group entities, the Group undertakes certain sales and purchase transactions denominated in US$, HK$ and EURO. Hence, exposures to exchange rate fluctuations arises. The Group currently does not formulate any hedging policies against its exposure to currency risk. The Group will manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and buying foreign currency forward contracts if it considers the risk to be significant.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

Foreign currency risk management *(continued)*

At the end of the reporting period, the carrying amounts of the Group's significant monetary assets and monetary liabilities denominated in currencies other than the functional currency of relevant group entity are as follow:

	2015	2014
	HK$'000	*HK$'000*
Monetary Assets		
RMB	**13,167**	1,964
US$	**78,714**	17,799
HK$	**579,695**	632,943
EURO	**1,004**	1,118
NTD	**—**	187
Monetary Liabilities		
HK$	**596**	1,105
NTD	**745**	—

During the year ended 31 December 2015, the Group entered into forward foreign exchange contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB against HKD of a group entity operated in Hong Kong. Details of the outstanding forward foreign exchange contracts are listed in note 29.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

Foreign currency risk management *(continued)*

Sensitivity analysis

The Group is mainly exposed to the fluctuation of RMB, US$, HK$, EURO and NTD.

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currency monetary assets and liabilities. No sensitivity analysis is presented for HKD against USD as HKD is pegged to USD. 5% (2014: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2014: 5%) change in foreign currency rates. A negative number below indicates a decrease in profit before tax for the year where the functional currency of the relevant group entity strengthen 5% (2014: 5%) against the relevant foreign currency. For a 5% (2014: 5%) weakening of the functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on profit before tax for the year.

	RMB impact		NTD impact		EURO impact	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Monetary assets and liabilities	**(658)**	(98)	**37**	(9)	**(50)**	(56)

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

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to cash and margin clients receivables (see note 24), variable-rate borrowings (see note 28) and bank balances (general accounts) (see note 26).

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors monitor the Group's exposures on an ongoing basis and will consider hedging the interest rate should the need arises.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for cash and margin clients receivables, variable-rate borrowings and bank balances (general accounts) at the end of the reporting period. The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

As at 31 December 2015, if the interest rate had been 10 basis points (2014: 10 basis points) higher/lower and all other variables were held constant, the Group's profit after taxation would increase/decrease by HK$784,000 (2014: loss after taxation decrease/increase by HK$665,000).

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(iii) Equity price risk

The Group is exposed to equity price risk through their held-for-trading investments. The Group's equity price risk is concentrated on equity instruments quoted on the Stock Exchange. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate at 20% is applied as a result of the volatile financial market.

If the price of the respective held-for-trading investments had been 20% (2014: 20%) lower, the profit after taxation of the Group for the year would decrease by HK$85,465,000 (2014: loss after taxation increase by HK$889,000) respectively, as a result of the changes in fair value of held-for-trading investments.

In management's opinion the sensitivity analysis was unrepresentative of the inherent equity price risk as the year end exposure does not reflect the exposure during the year.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed settlement dates. The table includes both interest and principal cash flows.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

For derivative financial instruments settled on a net basis, undiscounted net cash flows are presented. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	On demand or less than 1 month *HK$'000*	31-90 days *HK$'000*	91-365 days *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31 December 2015 *HK$'000*
2015							
Non-derivative financial liabilities							
Trade and other payables	–	508,597	2,497	10,472	–	521,566	521,566
Variable rate – borrowings	3.82%	5,334	188	848	6,416	12,786	11,540
		513,931	2,685	11,320	6,416	534,352	533,106
Derivative financial liabilities – net settled							
Foreign current forward contract – outflow		–	285	–	–	285	285

	Weighted average interest rate	On demand or less than 1 month *HK$'000*	31-90 days *HK$'000*	91-365 days *HK$'000*	Over 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31 December 2014 *HK$'000*
2014							
Non-derivative financial liabilities							
Trade and other payables	–	75,077	1,019	196	–	76,292	76,292

37. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value

The fair value of financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with discounted cash flow analysis.

Foreign currency forward contracts are using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Fair value measurement of financial assets and financial liabilities

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 and 2 based on the degree to which the fair value is observable.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Financial assets/ financial liabilities	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	31 December 2015	**31 December 2014**		
Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	Liabilities — nil HK$285,000 (net settled)	Liabilities — nil	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted using an appropriate discount rate to take account of the time value of money.
Held-for-trading investments	HK$511,765,000	HK$5,321,000	Level 1	Quoted bid prices in an active market.

37. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Fair value measurement of financial assets and financial liabilities *(continued)*

There were no transfers between Levels 1 and 2 in the current and prior years.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Financial asset and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that are either:

— offset in the Group's consolidated statements of financial position; or

— not offset in the consolidated statements of financial position as the offsetting criteria are not met.

Under the agreement of Continuous Net Settlement made between the Group and the clearing house, the Group has a legal enforceable right to set off the money obligations receivable and payable with clearing house on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the trade receivables from and payables to securities brokerage business that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to the clearing house and trade receivables from and payables to securities brokerage business that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with clearing house do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

37. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

***Financial asset and financial liabilities offsetting** (continued)*

	Gross amount of recognised as financial assets after impairment	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 offset in consolidated statement of financial position: Financial instruments	Related amounts not offset in consolidated statement of financial position: Collateral received	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets						
Amounts due from clearing house and trade receivables from securities brokerage business	89,138	(35,173)	53,965	(162)	(53,049)	754
Statutory deposits placed with clearing house	272	–	272	(272)	–	–

	Gross amount of recognised as 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 offset in consolidated statement of financial position: Financial instruments	Related amounts not offset in consolidated statement of financial position: Collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities						
Amounts due to clearing house and trade payables to securities brokerage business	501,409	(35,173)	466,236	(463,449)	–	2,787

Note: The cash and financial collateral received/pledged as at 31 December 2015 represent their fair values.

38. RELATED PARTY DISCLOSURES

During the year, the Group had transactions with the directors of the Company or related parties. The transactions during the year, are as follows:

(a) Transactions with related parties:

Name of party	Interested directors	Nature of transactions	2015 HK$'000	2014 HK$'000
Yojin Industrial Corporation	Mr. Huang Ying Yuan Mrs. Huang Chen Li Chu *(note i)*	Rental expenses paid by the Group *(note ii)*	**133**	695

(b) Transaction with a director of the Company and shareholder having significant influence on the Company:

Name of director	Nature of transactions	2015 HK$'000	2014 HK$'000
Mr. Huang Ying Yuan	Rental expenses paid by the Group to the director *(note ii)*	**–**	135

(c) Compensation of key management personnel

The remuneration of key management during the year are as follows:

	2015 HK$'000	2014 HK$'000
Short-term employee benefits	**5,863**	7,340

The remuneration of directors was decided by the board of directors, which is reviewed by the Remuneration Committee, having regard to the performance of the individuals and market trends.

Notes:

i. Both Mr. Huang Ying Yuan and Mrs. Huang Chen Li Chu are the controlling shareholders of Yojin Industrial Corporation and have beneficial interests with significant influence in the Company.

ii. The rentals were charged in accordance with the terms of the relevant tenancy agreement agreed by both parties.

39. OPERATING LEASE COMMITMENTS AND ARRANGEMENTS

The Group as lessee

	2015	2014
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the year	**1,600**	4,007

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

	2015	2014
	HK$'000	*HK$'000*
Within one year	**294**	9
In the second to fifth year inclusive	**282**	—
	576	9

Operating lease payments represent rentals payable by the Group for certain of its office premises, lease properties and staff quarters. Leases are negotiated for an average term of two (2014: two) years and rentals are fixed for an average of two (2014: two) years.

The Group as lessor

Property rental income earned during the year was HK$2,396,000 (2014: HK$476,000). Leases are negotiated for an average term of two years and fixed for an average of two years.

At the end of both reporting periods, the Group had contracted with tenants for the following future minimum lease payments:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**1,277**	2,839
In the second to fifth year inclusive	**857**	3,785
	2,134	6,624

40. RETIREMENT BENEFIT SCHEME

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the scheme.

The employees of the Company's subsidiaries in the PRC and Taiwan are members of the state-managed retirement benefit schemes and defined contribution plan operated by the PRC and Taiwan government, respectively. The PRC and Taiwan subsidiaries are required to contribute a certain percentage of payroll costs to the respective retirement benefit schemes and defined contribution plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes and defined contribution plan is to make the specified contributions.

The total cost of HK$1,150,000 (2014: HK$11,440,000) charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid or payable by the Group for the year.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 December 2015 and 2014 are as follows:

	Notes	**2015** ***HK$'000***	2014 *HK$'000*
Non-current assets			
Investment in subsidiaries		**304,972**	253,971
Current assets			
Other receivables		**1,620**	275
Amount due from subsidiaries		**277,718**	628,202
Bank balances		**481,322**	7,812
		760,660	636,289
Current liabilities			
Other payables		**89,041**	91,202
Amounts due to subsidiaries	*(a)*	**–**	358,972
		89,041	450,174
Net current assets		**671,619**	186,115
Total assets less current liabilities		**976,591**	440,086
Capital and reserves			
Share capital		**383,871**	76,068
Reserves	*(b)*	**592,720**	364,018
		976,591	440,086

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) Amount(s) due from (to) subsidiaries

The amounts are unsecured, interest-free and repayable on demand.

(b) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2014	110,614	244,461	1,151	1,270	4,084	361,580
Profit for the year	–	–	–	–	225,804	225,804
Exercise of share options	5,642	–	(823)	–	–	4,819
Recognition of equity settled share-based payments	–	–	18	–	–	18
Share options lapsed during the year	–	–	(326)	–	326	–
Dividends recognised as distributions *(note 14)*	–	–	–	–	(228,203)	(228,203)
At 31 December 2014	**116,256**	**244,461**	**20**	**1,270**	**2,011**	**364,018**
Loss for the year	**–**	**–**	**–**	**–**	**(17,236)**	**(17,236)**
Exercise of share options	**29,550**	**–**	**(5,933)**	**–**	**–**	**23,617**
Recognition of equity settled share-based payments	**–**	**–**	**9,269**	**–**	**–**	**9,269**
Share options lapsed during the year	**–**	**–**	**(15)**	**–**	**15**	**–**
New shares issued as consideration for acquisition of subsidiaries *(note 34)*	**35,813**	**–**	**–**	**–**	**–**	**35,813**
New share issued as consideration for acquisition of subsidiaries *(note 35)*	**43,500**	**–**	**–**	**–**	**–**	**43,500**
Issued of share upon the Open Offer *(note 31)*	**133,739**	**–**	**–**	**–**	**–**	**133,739**
At 31 December 2015	**358,858**	**244,461**	**3,341**	**1,270**	**(15,210)**	**592,720**

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities *(note i)*
			Directly		Indirectly		
			2015 %	2014 %	**2015 %**	2014 %	
中山隆成啟航商貿有限公司	PRC	US$6,240,000 Registered Capital	**–**	–	**100**	100	Manufacturing and trading of medical products
Lerado H.K. Limited	HK	HK$5,000 Ordinary Share	**–**	–	**100**	100	Trading of medical products
BlackMarble Capital Limited	HK	HK$1 Ordinary Share	**–**	–	**100**	–	Money lending
Oriental Strategic Limited	BVI	US$50,000 Ordinary Share	**100**	–	**–**	–	Investment holding
Brilliant Summit Limited	HK	HK$10,000 Ordinary Share	**–**	–	**100**	–	Trading of garment accessories
Lerado Group Limited	BVI	HK$10,702 Ordinary Share	**100**	100	**–**	–	Investment holding
Wonder Time Holdings Limited	BVI	HK$1 Ordinary Share	**–**	–	**100**	100	Trading of held-for-trading investments
Shanghai Lerado Co. Ltd.	PRC	US$6,260,000 Registered Capital	**–**	–	**100**	100	Manufacturing and trading of nursery products
Guangzhou Kai Run Corporate Management Services Company Limted	PRC	US$5,000,000 Registered Capital	**–**	–	**100**	–	Providing corporate management advisory services
駿勝世紀科技(深圳)有限公司	PRC	RMB1,000,000 Registered Capital	**–**	–	**100**	–	Research and development for electric scooters, wheels
Black Marble Securities Limited	HK	HK$145,000,000 Ordinary Share	**–**	–	**100**	–	Securities brokerage, margin financing and underwriting and placements

Note:

(i) The principal activities of the subsidiaries are carried out in the place of incorporation/establishment except as otherwise stated under principal activities above.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

43. CONTINGENT LIABILITIES

At the end of the reporting period, the Company and its subsidiaries, together with certain Disposed Subsidiaries, are in litigations with two independent third parties. The Company entered into the S&P Agreement as detailed in note 10, which the subsidiary of the Company agrees to indemnify the Buyer against all losses and claims incurred by the Disposed Subsidiaries in connection with the two litigations described below.

(i) During the year ended 31 December 2013, the Company, a wholly-owned subsidiary and certain Disposed Subsidiaries have been named as defendants in a United States District Court action in respect of an alleged breach of contractual undertakings for an amount of US$2,222,000 (equivalents to HK$17,333,000). The next trial date has not been set. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these consolidated financial statements.

(ii) During the year ended 31 December 2014, the Company, two of its wholly-owned subsidiaries and two of the Disposed Subsidiaries have been named as joint defendants together with, among others, Baby Trend, Inc. in a United States District Court on the alleged faulty design in a car seat manufactured by the Company under the contract for Baby Trend, Inc. The next trial date has been set on 28 February 2017. The directors of the Company, after considering that this litigation is in its early stage and the outcome of the proceedings is uncertain, are of the opinion that no provision for any potential liability should be made in these condensed financial statements.

Financial Summary

RESULTS

	Year ended 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
REVENUE	122,151	149,421	147,576	154,676	**176,731**
PROFIT (LOSS) BEFORE TAXATION	1,772	19,480	(25,606)	(17,307)	**364,170**
INCOME TAX EXPENSE	(777)	(3,685)	(593)	(373)	**(68,970)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	995	15,795	(26,199)	(17,680)	**295,200**
PROFIT (LOSS) FOR THE YEAR FROM DISCONTINUED OPERATION	26,431	25,073	6,370	(128,316)	**291,524**
(LOSS) PROFIT FOR THE YEAR	27,426	40,868	(19,829)	(145,996)	**586,724**
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	27,426	40,868	(19,829)	(145,996)	**586,815**
NON-CONTROLLING INTERESTS	—	—	—	—	**(91)**
	27,426	40,868	(19,829)	(145,996)	**586,724**

ASSETS AND LIABILITIES

	At 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
TOTAL ASSETS	1,722,121	1,791,616	1,739,949	1,071,816	**2,418,080**
TOTAL LIABILITIES	(640,893)	(689,064)	(601,090)	(438,950)	**(643,450)**
	1,081,228	1,102,552	1,138,859	632,866	**1,774,630**
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	1,081,228	1,102,552	1,138,859	632,866	**1,774,721**
NON-CONTROLLING INTERESTS	—	—	—	—	**(91)**
	1,081,228	1,102,552	1,138,859	632,866	**1,774,630**

Note: The financial information for each of the three years ended 31 December 2013 has been restated for the operation discontinued in 2014.