中國恒嘉融資租賃集團有限公司

CHINA EVER GRAND FINANCIAL LEASING GROUP CO., LTD.

(formerly known as PME Group Limited*)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 379)

ANNUAL REPORT 2015

* For identification purpose only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wong Lik Ping *(Chairman)*
Mr. Lai Ka Fai
Mr. Tao Ke
Mr. Qiao Weibing

NON-EXECUTIVE DIRECTORS

Mr. Cheng Kwok Woo
Ms. Yeung Sau Han Agnes

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Goh Choo Hwee
Mr. Ho Hin Yip
Mr. U Keng Tin

CHIEF EXECUTIVE OFFICER

Mr. Liu Bing

JOINT COMPANY SECRETARIES

Mr. Li Chak Hung
Mr. Lai Ka Fai

AUTHORISED REPRESENTATIVES

Mr. Wong Lik Ping
Mr. Lai Ka Fai

AUDIT COMMITTEE

Mr. Ho Hin Yip *(Chairman)*
Mr. Goh Choo Hwee
Mr. U Keng Tin

REMUNERATION COMMITTEE

Mr. Ho Hin Yip *(Chairman)*
Mr. Wong Lik Ping
Mr. Goh Choo Hwee

NOMINATION COMMITTEE

Mr. Wong Lik Ping *(Chairman)*
Mr. Goh Choo Hwee
Mr. Ho Hin Yip

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2203, 22/F.
Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

379

WEBSITE

http://www.egichk.com

CHAIRMAN'S STATEMENT

I hereby present to our shareholders the 2015 annual report.

RESULTS FOR THE YEAR

For the year 2015, the Group recorded turnover of approximately HK$258.6 million and net profit attributable to shareholders amounted to approximately HK$3.4 million. The Directors do not recommend payment of final dividend for the year ended 31 December 2015.

REVIEW OF THE YEAR

The Group's turnover for the year ended 31 December 2015 increased by 87.0% to approximately HK$258.6 million while the revenue for the year ended 31 December 2015 decreased by 7.8% to approximately HK$82.8 million as compared with last year. Revenue for the year was wholly contributed by the polishing materials and equipment division.

Profit for the year ended 31 December 2015 attributable to the shareholders of the Company was approximately HK$3.4 million (2014: HK$27.6 million). The Group recorded a decrease in the annual profit for the year ended 31 December 2015 as compared with last year mainly because of decrease in share of results of joint ventures.

Segmental loss of the polishing materials and equipment division increased from approximately HK$4.5 million in 2014 to HK$7.1 million in 2015. Segmental results of the investment division changed from approximately segmental loss of HK$45.0 million in 2014 to segmental profit of HK$5.5 million in 2015.

Segmental profit of the terminal and logistics services division decreased from HK$146.0 million in 2014 to HK$30.9 million in 2015.

APPRECIATION

On behalf of the Board, I take this opportunity to thank our staff for their continuous effort and contributions to the Group.

I also take this opportunity to thank our customers, suppliers and business partners for your support during the year.

Finally, I would like to thank our shareholders for your trust in the Company.

Wong Lik Ping
Chairman

Hong Kong, 29 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL PERFORMANCE

The Group's turnover for the year ended 31 December 2015 increased by 87.0% to approximately HK$258.6 million while the revenue for the year ended 31 December 2015 decreased by 7.8% to approximately HK$82.8 million as compared with last year. Revenue for the year was wholly contributed by the polishing materials and equipment division.

Profit for the year ended 31 December 2015 attributable to the shareholders of the Company was approximately HK$3.4 million (2014: HK$27.6 million). The Group recorded a decrease in the annual profit for the year ended 31 December 2015 as compared with last year mainly because of decrease in share of results of joint ventures.

Segmental loss of the polishing materials and equipment division increased from approximately HK$4.5 million in 2014 to HK$7.1 million in 2015. Segmental results of the investment division changed from approximately segmental loss of HK$45.0 million in 2014 to segmental profit of HK$5.5 million in 2015.

Segmental profit of the terminal and logistics services division decreased from HK$146.0 million in 2014 to HK$30.9 million in 2015.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2015, the Group had interest bearing other loans of approximately HK$2.3 million (31 December 2014: HK$ Nil).

At 31 December 2015, current assets of the Group amounted to approximately HK$568.5 million (31 December 2014: HK$524.2 million). The Group's current ratio was approximately 5.06 as at 31 December 2015 as compared with 4.01 as at 31 December 2014. At 31 December 2015, the Group had total assets of approximately HK$1,336.0 million (31 December 2014: HK$1,403.6 million) and total liabilities of approximately HK$127.7 million (31 December 2014: HK$149.6 million), representing a gearing ratio (measured as total liabilities to total assets) of 9.6% as at 31 December 2015 as compared with 10.7% as at 31 December 2014.

CHARGE OF ASSETS

As at 31 December 2015, the other loan raised by the Group of approximately HK$2,293,000 (2014: Nil) was secured by the life insurance policy for key management held by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

At 31 December 2015, the Group held available-for-sale investments and held for trading investments amounting to approximately HK$2.0 million and HK$44.1 million respectively. During the year, the Group recorded decrease in fair value of convertible bonds designated as financial assets at fair value through profit or loss of approximately HK$8.8 million, impairment loss on available-for-sale investments of approximately HK$0.5 million and increase in fair value of held for trading investments of approximately HK$2.4 million.

At 31 December 2014, the Group held available-for-sale investments and held for trading investments amounting to approximately HK$2.5 million and HK$88.5 million respectively. During that year, the Group recorded loss on partial disposal of an associate of approximately HK$14.9 million, loss on derecognition of an associate of approximately HK$26.9 million, increase in fair value of convertible bonds designated as financial assets at fair value through profit or loss of approximately HK$10.7 million, decrease in fair value of held for trading investments of approximately HK$11.6 million and gain on disposal of held for trading investments of approximately HK$3.0 million.

FOREIGN EXCHANGE EXPOSURES

The Group's purchases and sales are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The investments are in Hong Kong dollars. The operating expenses of the Group are either in Hong Kong dollars or Renminbi. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in exchange rates.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2015 and 2014.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2015 and 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The year 2015 was a very difficult year to the Group. Due to the slowdown of China economy and the rather weak performance of China import and export industry as a result of the unstable global economic conditions, the performance of terminal and logistics services segment was inevitably affected, with a substantial decrease as compared with the last year. The Group believes that with the benefit of the depreciation of the RMB recently and the supporting policies announced by the "Two Sessions" kicked off in Beijing in March 2016, the performance of the terminal and logistics services segment will slowly pick up.

Meanwhile, the Group is still cautious of the outlook of the polishing materials and equipment business locally and internationally. The Group will continue to explore effective cost-saving measure, concentrate on selling products with high profit margin, expand its distribution networks and maintain its product lines in order to improve the profitability of the business segment.

Our investment business segment continued to record improvement. However, due to the extreme unstable market conditions, the Group will continue to take a conservative approach towards its investment portfolio and strategies in order to improve the performance of the investment segment.

In addition, the Group believes that it will be able to expand its business into the finance lease industry by acquiring interests in a PRC finance lease company at the beginning of the year. It is expected that the business will generate a positive contribution to the Group's overall performance and will present new opportunities to the expansion of its business.

While impacted by both decline external and internal adverse factors, the management of the Group will consider these adverse factors as challenges and drivers that foster its development. The Group will continue to use their best endeavor to strengthen and strive for improvements in all the Group's business segments and to enhance the long-term profitability and growth potential of the Group by emphasizing on the development of its newly acquired finance lease business.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS

On 9 February 2015, the Group entered into an agreement with Sino Coronet Limited for acquisition of the convertible bonds with the principal amount of HK$6,500,000 issued by China Eco-Farming Limited at consideration of HK$65,000,000. Further details of the acquisition are set out in the Company's announcement dated 9 February 2015.

On 21 July 2015, the Group entered into a sale and purchase agreement (as supplemented by a supplemental agreement dated 26 October 2015) with Mr. Wong Lik Ping, an executive director and chairman of the Board of the Company, for acquisition of the entire issued share capital of China Ever Grand Capital Group Limited ("CEGCG") and the shareholder's loan due by CEGCG at consideration of RMB170,847,000 (equivalent to approximately HK$213,558,750). CEGCG, through its indirect wholly-owned subsidiary Hong Kong Ever Grand Capital Limited ("HKEGC"), was then interested in 41.67% equity of 北京恒嘉國際融資租賃有限公司 (Beijing Ever Grand International Finance Lease Co., Ltd., hereafter "Beijing Ever Grand"). HKEGC has agreed to further invest US$6 million into Beijing Ever Grand. HKEGC would hold 51.39% equity of Beijing Ever Grand after the capital injection of US$6 million into Beijing Ever Grand. The acquisition was completed on 7 January 2016 and Beijing Ever Grand has become a non wholly-owned subsidiary of the Company. Further details of the acquisition are set out in the Company's announcements dated 21 July 2015, 26 October 2015 and 7 January 2016.

EMPLOYEES AND REMUNERATION

As at 31 December 2015, the Group had approximately 42 (2014: 40) employees (excluding employees of the Company's joint ventures) in Hong Kong and the PRC. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

PURCHASE, REDEMPTION OR SALE OF LISTED SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance of the Company is crucial to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code and Report") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December 2015, except for the following deviations:

1. **Code Provision A.6.7**

   Under Code Provision A.6.7 of the CG Code, the non-executive directors and independent non-executive directors should attend the annual general meetings of the Company. Mr. Cheng Kwok Woo, a non-executive director and Mr. Goh Choo Hwee, an independent non-executive director of the Company were unable to attend the annual general meeting of the Company held on 11 June 2015 due to their other business commitments.

2. **Code Provision B.1.2**

   The terms of reference of the Remuneration Committee exclude review of and making recommendations to the Board in relation to senior management remuneration as in the Board's opinion, it was more appropriate for the executive directors to perform these duties.

3. **Code Provision E.1.2**

   Under Code Provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. Mr. Wong Lik Ping, Chairman of the Board was unable to attend the annual general meeting of the Company held on 11 June 2015 due to his other important commitment.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS

The Board currently comprises four Executive Directors, two Non-Executive Directors ("NED") and three Independent Non-Executive Directors ("INEDs"). The brief biographic details of and the relationship among Board members is set out in the Directors and Senior Management Profiles section on pages 16 and 17. The Board has established three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee. Attendance of the Board Meetings, the meetings of the Board Committees and the General Meetings for the year ended 31 December 2015 is given below. The respective responsibilities of the Board and Board Committees are discussed later in this report.

	No. of meetings attended/eligible to attend				
	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Executive Directors					
Wong Lik Ping	1/9		1/1	1/1	0/3
Lai Ka Fai	9/9				3/3
Shi Chong *(note 1)*	3/3				0/1
Feng Gang *(note 4)*	9/9				0/3
Tao Ke *(note 2)*	4/6				1/3
Qiao Weibing *(note 5)*	N/A				N/A
Non-Executive Directors					
Cheng Kwok Woo	7/9				0/3
Yeung Sau Han Agnes *(note 3)*	6/9				0/3
Independent Non-Executive Directors					
Goh Choo Hwee	5/9	2/3	1/1	1/1	0/3
Ho Hin Yip	9/9	3/3	1/1	1/1	1/3
U Keng Tin	9/9	3/3			2/3

Notes:

1. Resigned on 6 March 2015
2. Appointed on 6 March 2015
3. Re-designated from executive director to non-executive director on 12 June 2015
4. Resigned on 17 March 2016
5. Appointed on 17 March 2016

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in discharge of their duties.

The Board held meetings from time to time whenever necessary. Notice of at least 14 days has been given to all Directors for all regular board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time before the meeting. Draft minutes of all board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of board meetings and meetings of Board Committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. Mr. Wong Lik Ping is the Chairman of the Group. On 1 November 2015, the Group has appointed Mr. Liu Bing as the CEO of the Group to fill the vacancy left by Ms. Yeung Sau Han Agnes since 12 June 2015. The roles of the chairman and the CEO were segregated during the financial year.

NON-EXECUTIVE DIRECTORS

The Board currently has two NEDs and three INEDs, one of the INEDs hold appropriate professional qualifications, or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. All NEDs and INEDs of the Company have been appointed for a specific term and are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.

Each of the INEDs has given the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all INEDs are independent and meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution into the Board remains informed and relevant.

The Directors are committed to complying with the code provision A.6.5 on Directors' training. All Directors have participated in continuous professional development activities by reading regulatory updates, and/or attending seminars/workshops relevant to the business/Directors' duties.

A record of training they received for the year ended 31 December 2015 was provided to the Company. The individual training record of each Director received for the year ended 31 December 2015 is set out below:

	Reading Regulatory updates	Attending seminars/ workshops relevant to the business/ directors' duties
Executive Directors		
Wong Lik Ping	✓	✓
Lai Ka Fai	✓	✓
Shi Chong (resigned on 6 March 2015)	✓	✓
Feng Gang (resigned on 17 March 2016)	✓	✓
Tao Ke (appointed on 6 March 2015)	✓	✓
Qiao Weibing (appointed on 17 March 2016)	N/A	N/A
Non-Executive Directors		
Cheng Kwok Woo	✓	✓
Yeung Sau Han Agnes	✓	✓
Independent Non-Executive Directors		
Goh Choo Hwee	✓	✓
Ho Hin Yip	✓	✓
U Keng Tin	✓	✓

DELEGATION BY THE BOARD

The Board sets the Group's objectives and strategies and monitors its performance. The Board also decides on matters such as annual and interim results, major transactions, director appointments, and dividend and accounting policies and monitors the internal controls of the Group's business operation. The Board has delegated the authority and responsibility of overseeing the Group's day to day operations to management executives.

When the Board delegates aspect of its management and administration functions to management, clear directions would be given as to the power of management, in particular, the circumstances where management should report back to the Board before making decision or entering into any commitments on behalf of the Group.

Principal functions that are specifically delegated by the Board to the management include (i) implementation of corporate strategy and policy initiatives; (ii) provision of management reports to the Board in respect of Group's performance, financial position and prospects; and (iii) day-to-day management of the Group.

BOARD DIVERSITY POLICY

The Board has adopted a Diversity of Board Members Policy (the "Board Diversity Policy") and discussed all measurable objectives set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on merit and the candidates will be considered against measurable objectives, taking into account the Company's business and needs. Selection of candidates will be based on a range of diversity criteria, including but not limited to gender, age, cultural and educational background, knowledge, professional experience and skills. The ultimate decision will be based on merit and the contribution that the selected candidates may bring to the Board.

The Nomination Committee will review the Board Diversity Policy as appropriate and recommend any proposed changes to the Board for approval.

REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee to ensure that there are formal and transparent procedures for setting policies on the remuneration of Directors. For the year ended 31 December 2015, the Remuneration Committee comprises the Board's Chairman, Mr. Wong Lik Ping, and two INEDs, namely Mr. Goh Choo Hwee and Mr. Ho Hin Yip. The Remuneration Committee is chaired by Mr. Ho Hin Yip.

During the year, one Remuneration Committee meeting was held to review the remuneration packages of the Directors. The Remuneration Committee ensures that no Director is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

NOMINATION COMMITTEE

The Company has set up a Nomination Committee to ensure fair and transparent procedures for the appointment, re-election and removal of Directors to the Board. For the year ended 31 December 2015, the Nomination Committee comprises the Board's Chairman, Mr. Wong Lik Ping, and two INEDs, namely Mr. Goh Choo Hwee and Mr. Ho Hin Yip. The Nomination Committee is chaired by Mr. Wong Lik Ping.

During the year, one Nomination Committee meeting was held to discuss appointment and re-election of Directors. In selecting and recommending candidates for directorship, the Committee will consider the experience, qualification and suitability of the candidates as well as the Board Diversity Policy. The Board will approve the recommendations based on the same criteria. The terms of reference of the Nomination Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

AUDIT COMMITTEE

For the year ended 31 December 2015, the Audit Committee comprises three INEDs, namely Mr. Ho Hin Yip, Mr. Goh Choo Hwee and Mr. U Keng Tin. The Audit Committee is chaired by Mr. Ho Hin Yip.

The principal duties of the Audit Committee are to review and provide supervision over the financial reporting process and internal controls of the Group, and perform the corporate governance duties. During the year, three Audit Committee meetings were held to review the financial reporting matters and internal control procedures of the Group. The terms of reference of the Audit Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code and Report.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by the Directors. Following a specific enquiry, all Directors confirmed they have complied with the standards set out in the Model Code throughout the year ended 31 December 2015.

To comply with the code provision A.6.4 of the CG Code and Report, the Company has also adopted the Model Code as the code of conduct for securities transactions by Relevant Employees to regulate the dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of unpublished price sensitive information of the Company.

ACCOUNTABILITY AND INTERNAL CONTROL

The Board has the overall responsibility for the operations of the Group's internal control system and review of its effectiveness under the governance of the Audit Committee. In this respect, procedures have been established to safeguard the Group's assets against any possible unauthorised use or disposition with the task to ensure the proper maintenance of accounting records for the provision of reliable financial information for internal use or for publication as well as their respective compliance with laws, rules and regulations. The system is established to manage and minimise, rather than eliminate the risk of failure to achieve business objectives and provide reasonable assurance against misstatements or losses.

The Board assesses the effectiveness of the overall internal control system regularly in considering reviews performed by the Audit Committee, executive management as well as both of the internal and external auditors with the understanding that such system is an ongoing process to identify, evaluate and manage significant risks faced by the Group. The Group's internal control system has been in place and was functioning effectively for the year under review.

The Audit Committee endorses the annual internal audit plan that is practically linked to the Group's areas of focuses. The audit plan is prepared under a risk based approach and covers the Group's significant areas of operations, which are reviewed on an annual basis.

AUDITOR'S REMUNERATION

For the year ended 31 December 2015, the auditor of the Company provided audit and non-audit services to the Company and the Group.

The auditor's remuneration in relation to audit and non-audit services for the year ended 31 December 2015 amounted to HK$680,000 and HK$220,000 respectively.

The statement of the auditor of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 25 and 26.

CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

Mr. Li Chak Hung and Mr. Lai Ka Fai are the joint company secretaries of the Company. Both of Mr. Li and Mr. Lai report to Mr. Wong Lik Ping, the Chairman of the Board.

Mr. Li Chak Hung was appointed as company secretary of the Company on 13 March 2002. He is a member of the Hong Kong Institute of Certified Public Accountants. He undertook no less than 15 hours of relevant professional training during the year.

Mr. Lai Ka Fai was appointed as joint company secretary of the Company on 22 June 2010. He was then appointed as an executive director of the Company on 18 January 2012. He is a solicitor of the High Court of the Hong Kong Special Administrative Region. He undertook no less than 15 hours of relevant professional training during the year.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Company's Articles of Association, 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 shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the company secretary at the Company's office in Hong Kong at Room 2203, 22/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/ business and its supporting documents.

As regards proposing a person for election as a Director, please refer to the procedures available on the websites of the Company and the Stock Exchange.

Making Enquiry to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the company secretary at the Company's office in Hong Kong at Room 2203, 22/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong.

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 has established a range of communication channels between itself, its shareholders and investors, including answering questions through the annual general meeting, the publications of annual and interim reports, notices, announcements and circulars on the website of the Company at www.egichk.com. During the year, the Board is not aware of any significant changes in the Company's constitutional documents.

On behalf of the Board
Wong Lik Ping
Chairman

Hong Kong, 29 March 2016

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Executive Directors

Mr. Wong Lik Ping, aged 55, is the Chairman of the Group. He joined the Group in August 2012 and is responsible for strategic planning, business development and Board issues of the Group. He was (i) an executive director and a vice-chairman of Shougang Fushan Resources Group Limited (stock code: 639) from March 2009 to December 2015 and (ii) an executive director and the chairman of Theme International Holdings Limited (stock code: 990) from November 2009 to January 2016, both companies listed on the Main Board of the Stock Exchange. He is a director and the sole shareholder of Worldkin Development Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), Mr. Wong is a member of the National Committee of the Chinese People's Political Consultative Conference. He has extensive experience in trading business, financial industry and investments in a wide range of businesses in China. Mr. Wong is also a director of a joint venture of the Company in the PRC.

Mr. Lai Ka Fai, aged 47, joined the Group in June 2010 and was appointed as an executive director of the Company in January 2012. Mr. Lai is responsible for the corporate governance and port operation business of the Group. He holds a Bachelor degree in Laws from The Manchester Metropolitan University in the United Kingdom, a Postgraduate Certificate in Laws from The University of Hong Kong and a Master degree of Business Administration from the University of Leicester in the United Kingdom. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has over 10 years of experience in the legal field. He is also a director of a joint venture of the Company in the PRC and the joint company secretary of the Company.

Mr. Tao Ke, aged 33, was appointed as an executive director of the Company on 6 March 2015. Mr. Tao holds a Master of Social Science degree from University of Glasgow and a Bachelor degree in Economics from Beijing Institute of Technology. Mr. Tao has extensive experience in corporate finance and overseas merger and acquisition. He had been working in international investment banks and responsible for clients' project management, project acquisition and various initial public offerings. Mr. Tao is currently a general manager of a chemical production group in Shandong.

Mr. Qiao Weibing, aged 49, was appointed as an executive director of the Company on 17 March 2016. Mr. Qiao holds a bachelor degree from Shanxi University and a master degree in management engineering from China University of Mining and Technology. Mr. Qiao has over 20 years' working experience in the government regulatory authorities and financial institutions in the PRC. From September 2008 to June 2010, Mr. Qiao served as a director of Shanghai New Huang Pu Real Estate Co., Ltd (stock code: 600638.SH) which shares are listed on the Shanghai Stock Exchange. Mr. Qiao is currently the chief investment officer of the Company and the chairman and CEO of Beijing Ever Grand International Finance Lease Co., Ltd., a subsidiary of the Company in the PRC.

Non-Executive Directors

Mr. Cheng Kwok Woo, aged 59, joined the Group in 1990 and acted as the Chairman and an executive director of the Company since 2002 and was re-designated to a non-executive director since 9 August 2012. He has over 25 years of experience in the trading and manufacturing of abrasive products.

Ms. Yeung Sau Han Agnes, aged 50, joined the Group in May 2007 and was an executive director and the CEO of the Group. She resigned as the CEO and was re-designated from an executive director to a non-executive director on 12 June 2015. She graduated from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a higher diploma in fashion design.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Independent Non-executive Directors

Mr. Goh Choo Hwee, aged 45, was appointed as an independent non-executive director of the Company in January 2012. He has over 10 years of experience in PRC-related, corporate and securities practice. He is currently a partner at Ma Tang & Co, Solicitors, a law firm in Hong Kong. He graduated from The University of Hong Kong with Postgraduate Certificate in Laws in 1995. He has become a member of The Law Society of Hong Kong and has been a practicing solicitor in Hong Kong since 1997. He is currently an independent non-executive director of each of Tsui Wah Holdings Limited (stock code: 1314) and Huajin International Holdings Limited (stock code: 2738) and was an independent non-executive director of Theme International Holdings Limited (stock code: 990) from September 2013 to November 2015, all of which are companies listed on the Main Board of the Stock Exchange. He was appointed and remain as the company secretary of Xinhua News Media Holdings Limited (stock code: 309), a company listed on the Main Board of the Stock Exchange, in December 2013.

Mr. Ho Hin Yip, aged 42, was appointed as an independent non-executive director of the Company in December 2012. He is presently the Financial Controller and Joint Company Secretary of Singapore-listed Dukang Distillers Holdings Limited, where he is responsible for the finance and accounting functions, statutory compliance and corporate governance affairs. He has more than 17 years of financial and auditing experience. He is a fellow member of The Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. He also act as an independent non-executive director of each of Xinhua News Media Holdings Limited (stock code: 309), LC Group Holdings Limited (stock code: 1683) and Jiyi Household International Holdings Limited (stock code: 1495), all of which are companies listed on the Main Board of the Stock Exchange.

Mr. U Keng Tin, aged 66, was appointed as an independent non-executive director of the Company in May 2013. He holds the Bachelor's degree of Arts from York University, Canada and Master's degree of Arts in International Economics from University of San Francisco, USA. He is presently a director of an estate management company, Full Fill Services Co., Limited and an executive director of a listed company in Singapore, Chinese Global Investors Group Limited. He has over 30 years of experience in the securities industry.

Chief Executive Officer

Mr. Liu Bing, aged 43, was appointed as the CEO of the Company on 1 November 2015. Mr. Liu graduated from Jimei University with a bachelor degree in 1997 and from Zhejiang University with a master degree in business administration in 2003. Mr. Liu is a member of China Association of Chief Financial Officer and a professional member of International Financial Management Association. Mr. Liu had extensive experience in corporate finance and investment of various sectors in PRC and had been the senior executive member including the executive president and chief financial officer in various sizable organizations in PRC. Mr. Liu was an executive director and chief financial officer of Theme International Holdings Limited (stock code: 990) from October 2013 to December 2015, a company listed on the Main Board of the Stock Exchange.

REPORT OF THE DIRECTORS

The directors of the Company hereby present their annual report and the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the activities of the principal subsidiaries of the Company are set out in note 35 to the consolidated financial statements.

CHANGE OF COMPANY NAME AND STOCK SHORT NAME

As approved by the shareholders of the Company at an extraordinary general meeting held on 20 January 2016 and by the Registrar of Companies of Cayman Islands on 21 January 2016, the English name of the Company has been changed from "PME Group Limited" to "China Ever Grand Financial Leasing Group Co., Ltd." and the registration of the Chinese name "中國恒嘉融資租賃集團有限公司" as the secondary name of the Company (in replacement of the Chinese name "必美宜集團有限公司" which was previously adopted for identification purpose only). Besides, the English stock short name of the Company for trading in the shares on the Stock Exchange has been changed from "PME" to "EG LEASING" in English while its Chinese stock short name has been changed from "必美宜" to "恒嘉融資租賃" with effect from 1 March 2016.

SEGMENT INFORMATION

An analysis of the Group's turnover, revenue and segment information for the year ended 31 December 2015 is set out in note 7 and note 8 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 the consolidated statement of profit or loss and other comprehensive income on pages 27 and 28 of this annual report.

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 104 of this annual report.

PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

SHARE PREMIUM AND RESERVES

Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

At 31 December 2015, in the opinion of the directors, the Company's share premium and reserves available for distribution to shareholders amounted to HK$336,635,000.

Movement in the share premium and reserves of the Group during the year are set out on pages 31 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 14% and 32% respectively of the Group's total sales for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 19% and 68% respectively of the Group's total purchases for the year.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers.

RELATED PARTY TRANSACTIONS

Related party transactions during the year are disclosed in note 33 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year ended 31 December 2015 and up to the date of this report were:

Executive directors

Mr. Wong Lik Ping *(Chairman)*	
Mr. Lai Ka Fai	
Mr. Feng Gang	(resigned on 17 March 2016)
Mr. Tao Ke	(appointed on 6 March 2015)
Mr. Shi Chong	(resigned on 6 March 2015)
Mr. Qiao Weibing	(appointed on 17 March 2016)

Non-executive directors

Mr. Cheng Kwok Woo
Ms. Yeung San Han Agnes (re-designated as a non-executive director on 12 June 2015)

Independent non-executive directors

Mr. Goh Choo Hwee
Mr. Ho Hin Yip
Mr. U Keng Tin

In accordance with Article 87(1) of the Company's Articles of Association, Mr. Lai Ka Fai, Mr. Cheng Kwok Woo and Mr. U Keng Tin shall retire from offices by rotation in the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Qiao Weibing shall retire from office in the forthcoming annual general meeting, and being eligible, offer himself for re-election.

The biographic details of the existing directors are set out on pages 16 and 17 of this annual report.

DIRECTORS' SERVICES CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors have any interest in competing business to the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2015, the directors and chief executive of the Company have the following interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code:

Long positions in the ordinary shares/underlying shares of the Company:

	Number of shares/underlying shares held			
Directors	**Personal interests**	**Corporate interests**	**Total interests**	**Percentage of interests**
Mr. Wong Lik Ping	466,000,000	1,455,000,000 *(Note)*	1,921,000,000	16.12%
Ms. Yeung Sau Han Agnes	27,250,000	–	27,250,000	0.23%
Mr. Cheng Kwok Woo	6,500,000	–	6,500,000	0.05%

Note:
These interests are held by Worldkin Development Limited ("Worldkin") which is wholly-owned by Mr. Wong Lik Ping. Mr. Wong is therefore deemed to be interested in the shares held by Worldkin. The interests held by Worldkin are disclosed under the section headed "SUBSTANTIAL SHAREHOLDERS" below.

Save as disclosed above, none of the directors, chief executive and their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company adopted a share option scheme on 23 October 2002 (the "Scheme") for the purposes to enable the Directors to grant options to certain full-time employees (including executive directors, non-executive directors and independent non-executive directors of the Company) of the Group in recognition of their contributions to the Group. The share option scheme was terminated in 2012 and the share options granted under the Scheme prior to its termination shall continue to be valid and exercisable in accordance with the Scheme.

The movements of share options granted to the directors of the Company during the year ended 31 December 2015 are as follows:

Name of grantee	Exercise price	Exercisable period	As at 1.1.2015	Granted during the year	Exercised/ lapsed during the year	As at 31.12.2015
	HK$					
Mr. Cheng Kwok Woo	0.64	27.5.2010 – 26.5.2015	1,500,000	–	1,500,000	–
Ms. Yeung Sau Han Agnes	0.64	27.5.2010 – 26.5.2015	175,000,000	–	175,000,000	–
			176,500,000	–	176,500,000	–

Save as disclosed above, at no time during the year ended 31 December 2015 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any directors, chief executive of the Company, or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to acquire such rights in any other corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules, the following persons were interested (including short positions) in the shares or underlying shares of the Company:

Interest in the ordinary shares/underlying shares of the Company:

Name of Shareholders	Notes	Number of Shares/underlying Shares held	Long (L) or Short (S) positions	Percentage holding
Worldkin Development Limited		1,455,000,000	L	12.21%
Mr. Wong Lik Ping	*1*	1,921,000,000	L	16.12%
Funde Sino Life Insurance Co., Ltd.		3,574,430,000	L	29.99%
Profit Win International Limited		600,000,000	L	5.03%
Mr. Chen Hui	*2*	600,000,000	L	5.03%
Mr. Xu Yufeng		800,000,000	L	6.71%
Mr. Li Bensheng		600,000,000	L	5.03%

Notes:

1. Mr. Wong Lik Ping holds entire equity interests of Worldkin and is accordingly deemed to have interests in 1,455,000,000 shares of the Company that Worldkin has interests in. Mr. Wong personally owns 466,000,000 shares of the Company.

2. Mr. Chen Hui holds entire equity interests of Profit Win International Limited and is accordingly deemed to have interests in 600,000,000 shares of the Company that Profit Win International Limited has interests in.

Save as disclosed above, no other parties were recorded in the register required to be kept under Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2015.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 8 to 15 of this annual report.

OTHER CHANGES OF DIRECTORS' INFORMATION

Mr. Ho Hin Yip was appointed as an independent non-executive director of LC Group Holdings Limited (Stock Code: 1683) with effect from 13 August 2015 and Jiyi Household International Holdings Limited (Stock Code: 1495) with effect from 6 October 2015 respectively.

Mr. Goh Choo Hwee was appointed as an independent non-executive director of Huajin International Holdings Limited (stock code: 2738) with effect from 23 March 2016 and has resigned as an independent non-executive director of Theme International Holdings Limited (Stock Code: 990) with effect from 4 November 2015.

Mr. Wong Lik Ping has resigned as an executive director and vice-chairman of Shougang Fushan Resources Group Limited (Stock Code: 639) with effect from 1 January 2016 and an executive director and the chairman of Theme International Holdings Limited (Stock Code: 990) with effect from 6 January 2016.

PERMITTED INDEMNITY

A permitted indemnity provision (as defined in section 467 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the benefit of the directors of the Group is currently in force and was in force during the year.

A Directors and Officers Liability Insurance Policy against potential costs and liabilities arising from claims brought against the directors of the Group is in place.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2013 were audited by SHINEWING (HK) CPA Limited.

The consolidated financial statements for the years ended 31 December 2014 and 2015 were audited by HLB Hodgson Impey Cheng Limited ("HLB").

A resolution to re-appoint HLB as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Wong Lik Ping
Chairman

Hong Kong, 29 March 2016

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

TO THE SHAREHOLDERS OF CHINA EVER GRAND FINANCIAL LEASING GROUP CO., LTD (FORMERLY KNOWN AS PME GROUP LIMITED)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Ever Grand Financial Leasing Group Co., Ltd (formerly known as PME Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 103, 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

OPINION

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practicing Certificate Number: P05895

Hong Kong, 29 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Turnover	7	**258,596**	138,309
Revenue	8	**82,767**	89,797
Cost of sales		**(78,425)**	(87,397)
Gross profit		**4,342**	2,400
Other income and gain	9	**29,583**	15,873
Selling and distribution expenses		**(8,873)**	(8,852)
Administrative expenses		**(66,871)**	(88,814)
Loss on partial disposal of an associate	18	**–**	(14,852)
Loss on derecognition of an associate	18	**–**	(26,907)
Impairment loss on available-for-sale investment	17	**(500)**	–
(Decrease)/increase in fair value of convertible bonds designated as financial assets at fair value through profit or loss	22	**(8,778)**	10,699
Increase/(decrease) in fair value of held for trading investments	9	**2,387**	(11,626)
Share of results of an associate		**–**	6,082
Share of results of joint ventures		**48,698**	167,388
Finance costs	10	**(94)**	(839)
(Loss)/profit before taxation		**(106)**	50,552
Taxation	12	**3,554**	(22,945)
Profit for the year	13	**3,448**	27,607
Attributable to:			
Owners of the Company		**3,448**	27,607
Non-controlling interest		**–**	–
		3,448	27,607
Earnings per share (expressed in HK cents)			
Basic and diluted	15	**0.03**	0.23

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 *HK$'000*	2014 *HK$'000*
Profit for the year	**3,448**	27,607
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(48)**	(638)
Share of other comprehensive income of an associate	**–**	550
Share of other comprehensive (loss)/income of joint ventures	**(49,027)**	1,404
Other comprehensive (loss)/income for the year (net of tax)	**(49,075)**	1,316
Total comprehensive (loss)/income for the year	**(45,627)**	28,923
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(45,627)**	28,923
Non-controlling interests	**–**	–
	(45,627)	28,923

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Plant and equipment	16	**1,347**	1,883
Available-for-sale investments	17	**2,000**	2,500
Interest in joint ventures	19	**763,852**	874,583
Club debentures		**350**	350
		767,549	879,316
Current assets			
Inventories	20	**8,746**	8,778
Trade receivables, other receivables, deposits and prepayments	21	**29,598**	28,563
Convertible bonds designated as financial assets at fair value through profit or loss	22	**36,450**	45,228
Held for trading investments	23	**44,117**	88,485
Deposits placed with financial institutions	24	**54,720**	7,051
Bank balances and cash	24	**394,867**	346,144
		568,498	524,249
Current liabilities			
Trade and other payables and accruals	25	**72,754**	93,044
Amount due to a joint venture		**–**	75
Taxation payable		**36,982**	36,985
Obligations under finance leases	26	**302**	730
Other loans	27	**2,293**	–
		112,331	130,834
Net current assets		**456,167**	393,415
Total assets less current liabilities		**1,223,716**	1,272,731

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital	28	**119,192**	119,192
Reserves		**1,088,351**	1,133,978
Equity attributable to owners of the Company		**1,207,543**	1,253,170
Non-controlling interests		**845**	845
Total equity		**1,208,388**	1,254,015
Non-current liabilities			
Obligations under finance leases	26	**555**	858
Deferred tax liabilities	29	**14,773**	17,858
		15,328	18,716
		1,223,716	1,272,731

The consolidated financial statements on pages 27 to 103 were approved and authorised for issue by the board of directors on 29 March 2016 and are signed on its behalf by:

WONG LIK PING
Director

LAI KA FAI
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company										
	Share Capital	Share premium	Special reserve (Note a)	Translation reserve	Share options reserve	Investment revaluation reserve	Other reserves (Notes b)	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014	119,192	1,520,921	(45,781)	41,050	63,700	1,336	134	(476,305)	1,224,247	845	1,225,092
Profit for the year	–	–	–	–	–	–	–	27,607	27,607	–	27,607
Other comprehensive (loss)/income for the year											
Exchange differences on translating foreign operations	–	–	–	(638)	–	–	–	–	(638)	–	(638)
Share of other comprehensive income of joint ventures	–	–	–	1,404	–	–	–	–	1,404	–	1,404
Share of other comprehensive income of an associate	–	–	–	(132)	–	682	–	–	550	–	550
Derecognition of associates	–	–	–	(934)	–	(2,303)	(134)	3,371	–	–	–
Total comprehensive income/(loss) for the year	–	–	–	(300)	–	(1,621)	(134)	30,978	28,923	–	28,923
At 31 December 2014 and 1 January 2015	119,192	1,520,921	(45,781)	40,750	63,700	(285)	–	(445,327)	1,253,170	845	1,254,015
Profit for the year	–	–	–	–	–	–	–	3,448	3,448	–	3,448
Other comprehensive (loss)/income for the year											
Exchange differences on translating foreign operations	–	–	–	(48)	–	–	–	–	(48)	–	(48)
Share of other comprehensive loss of joint ventures	–	–	–	(49,027)	–	–	–	–	(49,027)	–	(49,027)
Total comprehensive income/(loss) for the year	–	–	–	(49,075)	–	–	–	3,448	(45,627)	–	(45,627)
Lapsed of share options	–	–	–	–	(63,700)	–	–	63,700	–	–	–
At 31 December 2015	119,192	1,520,921	(45,781)	(8,325)	–	(285)	–	(378,179)	1,207,543	845	1,208,388

Notes:

(a) Special reserve represented the difference between the nominal amount of the share capital issued by PME International (BVI) Company Limited, the then holding company of the Group, and the aggregate of the nominal amount of the issued share capital and other reserves accounts of the subsidiaries which was acquired by PME International (BVI) Company Limited pursuant to the group reorganisation carried out in 1997.

(b) Other reserves represented the Group's share of capital reserve and warrant reserve of an associate.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before taxation		**(106)**	50,552
Adjustments for:			
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss	22	**8,778**	(10,699)
Change in fair value of held for trading investments	9	**(2,387)**	11,626
Depreciation of plant and equipment	16	**568**	716
Finance costs	10	**94**	839
Interest income		**(3,582)**	(6,784)
Reversal of impairment loss on trade receivables		**–**	(3,294)
Loss on partial disposal of an associate		**–**	14,852
Loss on derecognition of an associate		**–**	26,907
Impairment loss on available-for-sale investments	17	**500**	–
Reversal of impairment loss recognised on inventories	20	**(839)**	(4,193)
Realised gain on held for trading investments	9	**(25,183)**	(3,030)
Share of results of joint ventures		**(48,698)**	(167,388)
Share of results of an associate		**–**	(6,082)
Net foreign exchange (gain)/loss		**(259)**	671
Operating cash flow before movements in working capital		**(71,114)**	(95,307)
Decrease in inventories		**871**	–
(Increase)/decrease in trade receivables, other receivables, deposits and prepayments		**(825)**	17,561
Increase in held for trading investments		**(38,891)**	(124,793)
Proceeds from held for trading investments		**175,829**	48,512
Increase in deposits placed with financial institutions		**(47,669)**	(6,936)
(Decrease)/increase in trade and other payables and accruals		**(18,243)**	15,313
Cash used in operations		**(42)**	(145,650)
Income tax refund/(paid)		**5,946**	(439)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**5,904**	(146,089)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 *HK$'000*	2014 *HK$'000*
INVESTING ACTIVITIES		
Purchases of plant and equipment	**(32)**	(34)
Advance to a joint venture	**(75)**	392
Dividend from joint ventures	**104,924**	146,536
Purchases of convertible bonds	**(65,000)**	–
Investment in joint ventures	**–**	(63,831)
Interest received	**1,982**	5,443
Proceeds from disposal of associates	**–**	11,091
NET CASH GENERATED FROM INVESTING ACTIVITIES	**41,799**	99,597
FINANCING ACTIVITIES		
Interest paid	**(45)**	(744)
Repayments of obligations under finance leases	**(732)**	(594)
Finance lease charges paid	**(49)**	(95)
Proceed from other loans	**1,846**	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**1,020**	(1,433)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**48,723**	(47,925)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**346,144**	394,069
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**394,867**	346,144
Cash and cash equivalents at the end of the year, represented by:		
Bank balances and cash	**394,867**	346,144

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

China Ever Grand Financial Leasing Group Co., Ltd (Formerly known as PME Group Limited) (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares 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 section headed "Corporate Information" of the annual report.

The functional currency of the Company and its subsidiaries is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in HK$ and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in manufacture and trading of polishing materials and equipment, trading of equity securities, investment in terminal and logistics services business and investment holding. The Company acts as an investment holding company. Details of the principal activities of the subsidiaries are set out in Note 35.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 20 January 2016 and approved by the Registrars of Companies in the Cayman Islands and Hong Kong, the name of the Company was changed from PME Group Limited to China Ever Grand Financial Leasing Group Co., Ltd.

2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following amendments to HKFRSs issued by the International Accounting Standard Board for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

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

In the current year, the Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective in the consolidated financial statement:

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

2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong, in addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared in accordance with HKFRSs 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. 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 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.

Where 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).

Business combination

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

(i) 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;

(ii) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

(iii) 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 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 acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is 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, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Investments in associates and joint ventures

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.

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture 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 or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing 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 or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, 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.

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 or a joint venture. 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.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture 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 or joint venture 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 or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income is recognised on a straight-line basis over the period of the relevant lease.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Plant and equipment

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

Depreciation is recognised so as to write off the cost of items of plant and equipment less their estimated 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 of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment (Continued)

An item of 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 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.

Intangible asset

Intangible asset with indefinite useful lives that are acquired separately (including club debentures) are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

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.

The Group as lessee

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

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 to 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.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

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) 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.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

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
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the change in fair value of convertible bonds designated at financial assets at FVTPL in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Convertible bonds

Convertible bonds acquired by the Group (including related embedded derivatives) are designated as financial assets at fair value through profit or loss on initial recognition. At the end of the reporting period subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair values recognised directly in profit or loss in the period in which they arise.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired 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 and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, 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, an increase in the number of delayed payments in the portfolio past the average credit period, 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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 instruments

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 (Continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables and accruals, amount due to a joint venture, other loans and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Impairment losses on tangible assets and intangible asset

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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. When 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment.

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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets and intangible asset (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Inventories

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

Foreign currencies

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

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 year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interest as appropriate).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable 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.

Current and deferred tax is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related party transactions

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity. A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of 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 estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options 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 or losses.

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 estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Critical judgements in applying the entity's accounting polices

Key sources of estimation uncertainty

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

Useful lives of plant and equipment

In applying the accounting policy on plant and equipment with respect to depreciation, management estimates the useful lives of various categories of plant and equipment according to the industrial experiences over the usage of plant and equipment and also by reference to the relevant industrial norm. When the actual useful lives of plant and equipment due to the change of commercial environment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down for future periods. As at 31 December 2015, the carrying amount of plant and equipment is approximately HK$1,347,000 (net of accumulated depreciation of approximately HK$4,280,000) (2014: carrying amount of approximately HK$1,883,000, net of accumulated depreciation of approximately HK$3,712,000).

Estimated impairment loss on trade and other receivables

The Group makes impairment loss based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or change in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. In determining whether impairment loss on receivables is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of the counterparties of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. As at 31 December 2015, the carrying amount of trade receivables is approximately HK$26,523,000 (net of accumulated impairment loss of approximately HK$1,133,000 (2014: carrying amount of approximately HK$23,053,000, net of accumulated impairment loss of approximately HK$1,133,000). As at 31 December 2015, the carrying amount of other receivables is approximately HK$3,075,000 (2014: HK$5,510,000).

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

Key sources of estimation uncertainty (Continued)

Estimated allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. As at 31 December 2015, the carrying amount of inventories is approximately HK$8,746,000, net of accumulated allowance of approximately HK$9,144,000 (2014: carrying amount of approximately HK$8,778,000, net of accumulated allowance of approximately HK$9,983,000).

Estimated impairment loss on available-for-sale investments

In determining whether there is objective evidence of impairment in relation to the Group's available-for-sale investments in equity securities, the Group takes into consideration significant or prolonged decline in the market prices below the respective costs. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated statement of profit or loss. As at 31 December 2014 and 2015, the carrying amount of available-for-sale investments is approximately of HK$2,500,000 and HK$2,000,000 respectively. HK$500,000 impairment loss has been recognised in profit or loss for the year ended 31 December 2015 (2014: Nil).

Income tax and deferred taxation

The Group is subject to income taxes. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax in the period in which such estimate is changed.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 6 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes other loans and obligations under finance leases, disclosed in respective notes, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the new share issues and the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENT

(a) Categories of financial instruments

	31 December 2015 HK$'000	31 December 2014 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	479,157	379,695
Available-for-sale investments	2,000	2,500
FVTPL		
– Held for trading investments	44,117	88,485
– Financial assets designated at fair value through profit or loss	36,450	45,228
	561,724	515,908
Financial liabilities at amortised cost		
Other financial liabilities	73,611	94,707
Other loans	2,293	–
	75,904	94,707

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, held for trading investments, convertible bonds designated as financial assets at fair value through profit or loss, deposits placed with a financial institution and bank balances and cash, trade receivables, other receivables and deposits, trade and other payables and accruals, obligations under finance leases, amount due to a joint venture and other loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit 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, which are discussed below.

6. FINANCIAL INSTRUMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk

Currency risk

Several subsidiaries have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 49% (2014: 39%) of the Group's sales and approximately 37% (2014: 18%) of the Group's purchases are denominated in currencies other than the functional currency of the group entities. The Group also has bank balances, trade receivables and trade payables denominated in foreign currencies. Since the fluctuation of HK$ against United States dollar ("USD") are minimal under the Linked Exchange Rate System, the management consider the Group mainly expose to the currency of Euro, Japanese Yen and RMB.

The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group currently has not entered into any foreign currency forward contracts to hedge against foreign currency risk. Management will consider hedging foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, at the reporting dates are as follows:

	2015 *HK$'000*	2014 *HK$'000*
Assets		
USD	113,762	138
Japanese Yen	673	1,862
Euro	42	2
RMB	297	6,889
	114,774	8,891
Liabilities		
USD	66	127
Japanese Yen	4,045	2,504
Euro	958	5,855
RMB	98	33
	5,167	8,519

6. FINANCIAL INSTRUMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

(i) *Market risk* (Continued)

Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in HK$ against relevant foreign currencies. 5% (2014: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 5% (2014: 5%) change in foreign currency rates. A positive number indicates increase in post-tax profit for the year when HK$ strengthens 5% (2014: 5%) against the relevant foreign currencies. For a 5% (2014: 5%) weakening of HK$ against the relevant currencies, there would be an equal but opposite impact on the loss for the year.

	2015 HK$'000	2014 HK$'000
Japanese Yen	169	71
Euro	46	18
RMB	10	343

Fair value and cash flow interest rate risk

The Group has significant deposits placed with financial institutions, bank balances, other loans, obligations under finance leases and convertible bonds designated as financial assets at fair value through profit or loss which bear interest rate risk. Deposits placed with financial institutions and bank balances, at variable rates expose the Group to cash flow interest-rate risk. Certain other loans and obligations under finance leases at fixed rates expose the Group to fair value interest-rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risk.

Sensitivity analysis

At the end of the reporting period, assuming the variable rate deposits placed with financial institutions and bank balances had been outstanding for the whole year, if interest rates had increased by 200 basis points (2014: 200 basis points) and all other variables were held constant, there was a increase in post-tax profit by approximately HK$8,991,000 (2014: HK$2,975,000). If interest rates had decreased by 200 basis points (2014: 200 basis points), there would be an equal but opposite impact on the profit for the year. A 200 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

6. FINANCIAL INSTRUMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

(i) ***Market risk*** (Continued)

Other price risk

The Group is exposed to other price risk through its investments in listed equity securities. The Group has appointed a special team to monitor the price risk by diversifying the investment portfolio.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to other price risks at the reporting date. If the prices of the respective equity instruments had been 30% (2014: 30%) higher/lower:

– post-tax for the year ended 31 December 2015 would increase by approximately HK$13,235,000 (2014: post-tax profit would increase by approximately HK$26,546,000) or decrease by approximately HK$13,235,000 (2014: post-tax loss would decrease by approximately HK$26,546,000) as a result of the changes in fair value of held for trading investments and convertible bonds designated as financial assets at fair value through profit or loss; and

(ii) ***Credit risk***

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. In order to minimise the credit risk, the 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. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period 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.

As at 31 December 2015, the Group had certain concentration of credit risk as 30% (2014: 19%) and 51% (2014: 50%) of the total trade receivables were due from the Group's largest and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 85% (2014: 18%) of the total trade receivables as at 31 December 2015.

However, the directors of the Company consider the credit risk is under control since the management exercise due care in granting credit and checking the financial background of these counterparties on a regular basis.

The credit risk for bank balances and deposits placed with financial institutions are considered minimal as such amounts are placed with banks and financial institutions with good credit ratings.

6. FINANCIAL INSTRUMENT (Continued)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk

The Group's liquidity position is monitored closely by the management of the Group. The Group relies on other loans and obligations under finance leases as a significant source of liquidity. Details of the Group's obligations under finance leases and other loans are set out in Notes 26 and 27 respectively. The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are fixed rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate	Within 1 year	1-2 years	3-5 years	Total undiscounted Cash flows	Carrying Amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2015						
Trade and other payables and accruals	–	72,754	–	–	72,754	72,754
Obligations under finance leases	4.08	330	252	333	915	857
Other loans	7.5	2,465	–	–	2,465	2,293
		75,549	252	333	76,134	75,904
As at 31 December 2014						
Trade and other payables and accruals	–	93,044	–	–	93,044	93,044
Obligations under finance leases	4.08	779	330	574	1,683	1,588
Amount due to a joint venture	–	75	–	–	75	75
		93,898	330	574	94,802	94,707

6. FINANCIAL INSTRUMENT (Continued)

(c) Fair value measurements of financial instruments

(i) *Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined. (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 2015 *HK$000*	Fair value as at 2014 *HK$000*	Fair value hierarchy	Valuation technique and key inputs
Convertible bonds designated as financial assets at fair value through profit or loss	36,450	45,228	Level 2	Binomial Option Pricing Model Binomial Option Pricing Model is employed in deriving the fair value of the convertible bonds. The main inputs include term to maturity, dividend yield, risk- free rate , credit risk rate of the issuer, spot price as of the valuation date, exercise price and expected volatility of stock price
Held for trading investment	44,117	88,485	Level 1	Quoted bid prices in active market

During the years ended 31 December 2015 and 2014, there were no transfers between Level 1 and 2 in both years.

(ii) *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the Group's consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

7. TURNOVER

Turnover represents the amounts received and receivable from sales of polishing materials and equipment, and gross proceeds from sales of held for trading investments during the year. An analysis of the Group's turnover for the year is as follows:

	2015 HK$'000	2014 HK$'000
Sales of polishing materials and equipment	82,767	89,797
Gross proceeds from sales of held for trading investments	175,829	48,512
	258,596	138,309

8. SEGMENT INFORMATION

Information reported to the board of directors of the Company ("Board of Directors"), being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the nature of the operations of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Polishing materials and equipment	–	sales of polishing materials and equipment
Terminal and logistics services	–	loading and discharging services, storage services, and leasing of terminal facilities and equipment
Investment	–	investments in held for trading investments, convertible bonds, available-for-sale investments and associates

Information regarding the above segments is reported below.

8. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment:

	Revenue		Segment Result	
	For the year ended 31 December		For the year ended 31 December	
	2015 **HK$'000**	2014 HK$'000	**2015** **HK$'000**	2014 HK$'000
Revenue				
Polishing materials and equipment	**82,767**	89,797	**(7,069)**	(4,470)
Terminal and logistics services	**–**	–	**30,900**	146,047
Investment	**–**	–	**5,543**	(45,003)
			29,374	96,574
Unallocated corporate expenses			**(33,786)**	(49,778)
Unallocated other income and gain			**4,400**	4,500
Unallocated finance costs			**(94)**	(744)
(Loss)/profit before taxation			**(106)**	50,552

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit (loss) from each segment without allocation of certain other income, central administration costs, directors' salaries and certain finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	Polishing materials and equipment *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Consolidated *HK$'000*
As at 31 December 2015				
Assets				
Segment assets	51,377	940,905	160,009	1,152,291
Unallocated corporate assets				183,756
Consolidated total assets				1,336,047
Liabilities				
Segment liabilities	13,641	14,606	67,286	95,533
Unallocated corporate liabilities				32,126
Consolidated total liabilities				127,659

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

	Polishing materials and equipment *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Consolidated *HK$'000*
As at 31 December 2014				
Assets				
Segment assets	44,971	1,021,687	153,617	1,220,275
Unallocated corporate assets				183,290
Consolidated total assets				1,403,565
Liabilities				
Segment liabilities	10,788	19,580	67,046	97,414
Unallocated corporate liabilities				52,136
Consolidated total liabilities				149,550

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

- all assets are allocated to reporting segments other than certain other receivables, club debentures and bank balances and cash.
- all liabilities are allocated to reportable segments other than certain other payables, other loans, taxation payable and deferred tax liabilities.

8. SEGMENT INFORMATION (Continued)

Other segment information

	Polishing materials and equipment *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
As at 31 December 2015					
Amount included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	32	–	–	–	32
Reversal of allowance for inventories (included in cost of sales)	(839)	–	–	–	(839)
Depreciation of plant and equipment	88	–	480	–	568
Finance lease charges	49	–	–	–	49
Decrease in fair value of convertible bonds designated as financial assets at FVTPL	–	–	8,778	–	8,778
Gain on disposal of held for trading Investments	–	–	(25,183)	–	(25,183)
Interest income from banks and financial institutions	–	(1,982)	–	–	(1,982)
Interest income from convertible bonds designated as financial assets at FVTPL	–	–	(1,600)	–	(1,600)
Interests in joint ventures	9,869	753,983	–	–	763,852
Share of results of joint ventures	(1,108)	(47,590)	–	–	(48,698)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Finance cost on other loans	–	–	–	45	45
Income tax expense	14	(3,568)	–	–	(3,554)

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

	Polishing materials and equipment *HK$'000*	Terminal and logistics services *HK$'000*	Investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
As at 31 December 2014					
Amount included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	1,014	–	–	–	1,014
Reversal of impairment loss on inventories (included in cost of sales)	(4,193)	–	–	–	(4,193)
Depreciation of plant and equipment	128	–	588	–	716
Finance lease charges	95	–	–	–	95
Increase in fair value of convertible bonds designated as financial assets at FVTPL	–	–	(10,699)	–	(10,699)
Gain on disposal of held for trading Investments	–	–	(3,030)	–	(3,030)
Interest income from banks and financial institutions	–	(3,842)	–	(1)	(3,843)
Interest income from convertible bonds designated as financial assets at FVTPL	–	–	(2,941)	–	(2,941)
Reversal of impairment loss on trade receivables	(3,294)	–	–	–	(3,294)
Interests in joint ventures	10,405	864,178	–	–	874,583
Share of result of an associate	–	–	(6,082)	–	(6,082)
Share of results of joint ventures	(1,436)	(165,952)	–	–	(167,388)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Finance cost on other loans	–	–	–	744	744
Income tax expense	27	22,918	–	–	22,945

Note: Non-current assets excluded financial instruments.

8. SEGMENT INFORMATION (Continued)

Geographical information

The Group's polishing materials and equipment division is mainly located in Hong Kong (country of domicile) and the PRC. Terminal and logistics services division is located in the PRC. Investment division is located in Hong Kong.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of customers:

	Revenue	
	2015	2014
	HK$'000	HK$'000
Hong Kong	12,860	33,581
The PRC	65,343	49,593
Other Asian regions	2,116	1,982
North America and Europe	369	510
Other countries	2,079	4,131
	82,767	89,797

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	Carrying Amount of non current assets	
	2015	2014
	HK$'000	HK$'000
PRC	763,852	874,583
Hong Kong	1,697	2,233
	765,549	876,816

Note: Non-current assets excluded available-for-sale investments

Information about major customers

Revenue of approximately HK$12 million arose from sales to the Group's largest customer (polishing materials and equipment segment). No other single customer contributed 10% or more to the Group's revenue for 2015 (2014: Ni).

9. OTHER INCOME AND GAIN/FAIR VALUE CHANGE ON HELD FOR TRADING INVESTMENTS

	2015 HK$'000	2014 HK$'000
Reversal of impairment loss on trade receivables	–	3,294
Interest income from banks and financial institutions	1,982	3,843
Realised gain on held for trading investments	25,183	3,030
Interest income from convertible bonds designated as financial assets at fair value through profit or loss	1,600	2,941
Foreign exchange gains	368	675
Rental income	144	1,206
Sundry income	306	884
	29,583	15,873
Increase/(decrease) in fair value of held for trading investments *(Note)*	2,387	(11,626)

Note: The change in fair value represents an unrealised gain/(loss) on held for trading investment.

10. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on other loans wholly payable within five years	45	744
Finance lease charges	49	95
	94	839

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executives' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Disclosure of Information about Benefits of Directors) Regulations (Cap. 622G) are as follows:

For the year ended 31 December 2015

Name of director/ chief executive	Fees	Salaries and other benefits	Discretionary bonus *(Note x)*	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Wong Lik Ping	–	6,000	10,000	18	16,018
Mr. Lai Ka Fai	–	1,300	300	18	1,618
Mr. Shi Chong *(Note ii)*	–	–	–	–	–
Mr. Tao Ke *(Note iii)*	–	983	300	12	1,295
Mr. Feng Gang *(Note iv)*	–	960	300	18	1,278
Mr. Qiao Weibing *(Note v)*	–	–	–	–	–
Non-executive Director					
Mr. Cheng Kwok Woo	–	1,060	45	53	1,158
Ms. Yeung Sau Han Agnes *(Note i)*	–	260	–	6	266
Independent Non-executive Directors					
Mr. Goh Choo Hwee	180	–	50	–	230
Mr. U Keng Tin	180	–	50	–	230
Mr. Ho Hin Yip	180	–	50	–	230
Chief Executive Officer					
Mr. Liu Bing *(Note xi)*	–	22	350	1	373
Total for the year 2015	540	10,585	11,445	126	22,696

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (Continued)

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2014

Name of director	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonus *(Note x)* HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors					
Mr. Wong Lik Ping	–	6,000	8,000	17	14,017
Mr. Yeung Sau Han Agnes	–	260	100	13	373
Mr. Lai Ka Fai	–	1,300	3,600	17	4,917
Mr. Shi Chong	–	839	3,300	17	4,156
Mr. Feng Gang	–	960	3,650	17	4,627
Ms. Wang Liang *(Note vi)*	–	1,250	3,500	34	4,784
Ms. Chan Shui Sheung Ivy *(Note vii)*	–	107	–	5	112
Non-executive Director					
Mr. Cheng Kwok Woo	–	1,041	144	52	1,237
Independent Non-executive Directors					
Mr. Goh Choo Hwee	180	–	100	–	280
Mr. Ho Hin Yip	180	–	100	–	280
Mr. U Keng Tin	180	–	100	–	280
Mr. Lam Kwok Hing Wilfred *(Note viii)*	180	–	–	–	180
Total for the year 2014	720	11,757	22,594	172	35,243

No directors and chief executive waived or agreed to waive any emoluments in the two years ended 31 December 2015 and 2014.

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

Note i: Ms. Yeung Sau Han Agnes resigned as the chief executive officer of the Group, and was re-designated from executive director to non-executive director of the Company with effect from 12 June 2015.

Note ii: Mr. Shi Chong resigned as an executive director of the Company with effect from 6 March 2015.

Note iii: Mr. Tao Ke was appointed as an executive director of the Company with effect from 6 March 2015.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (Continued)

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Note iv: Mr. Feng Gang resigned as an executive director of the Company with effect from 17 March 2016.

Note v: Mr. Qiao Weibing was appointed as an executive director of the Company with effect from 17 March 2016.

Note vi: Mr. Wang Liang resigned as an executive director on 31 December 2014.

Note vii: Ms Chan Shui Sheung Ivy retired as an executive director on 11 June 2014.

Note viii: Mr. Lam Kwok Hing Wilfred resigned as an independent non-executive director on 31 December 2014.

Note ix: Mr. Liu Bing was appointed as the chief executive officer of the Company with effect from 1 November 2015.

Note x: The discretionary bonus is based on operating appraisal results and basic salary of each director with reference to the appraisal grade and scores for the annual operating results of enterprise representative.

(B) EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, five (2014: five) were directors of the Company whose emoluments are included in the disclosures in Note 11(A) above.

During the two years ended 31 December 2015 and 2014, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (Continued)

(B) EMPLOYEES' EMOLUMENTS (Continued)

The emoluments paid or payable to member of senior management (excluding the Directors as disclosed above) are within the following bands:

	Number of senior management	
	2015	2014
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**–**	–
	1	–

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to any of the highest paid individuals and senior management as an inducement to join the Group or as compensation for loss of office.

12. TAXATION

	2015	2014
	HK$'000	*HK$'000*
The (credit)/charge comprises:		
Current taxation		
– Hong Kong Profits Tax	**–**	27
– PRC Enterprise Income Tax	**135**	152
– Withholding tax for dividend from PRC joint ventures *(Note 29)*	**5,520**	23,219
– Over-provision of withholding tax in prior year	**(6,124)**	–
	(469)	23,398
Deferred taxation	**(3,085)**	(453)
	(3,554)	22,945

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC establishment is 25% for both years.

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

12. TAXATION (Continued)

The tax (credit)/charge for the year can be reconciled to the (loss)/profit before taxation in the consolidated statement of profit or loss as follows:

	2015 *HK$'000*	2014 *HK$'000*
(Loss)/profit before taxation	**(106)**	50,552
Tax at Hong Kong Profits Tax rate of 16.5% (2014: 16.5%)	**(17)**	8,341
Tax effect of share of results of joint ventures	**(8,041)**	(27,619)
Tax effect of share of results of associates	**–**	(1,004)
Tax effect of expenses not deductible for tax purpose	**5,295**	5,698
Tax effect of income not taxable for tax purpose	**(4,846)**	(1,409)
Tax effect of tax loss not recognised	**7,744**	16,172
Tax effect of over-provision of withholding tax in prior year	**(6,124)**	–
Tax effect of withholding tax at 5% on the distributable profits of the Group's PRC joint ventures (2014: 10%)	**2,435**	22,766
Tax (credit)/charge for the year	**(3,554)**	22,945

The domestic tax rate in Hong Kong is used as it is where the operation of the Group is substantially based.

Details of deferred tax liabilities are shown in note 29.

13. PROFIT FOR THE YEAR

	2015 HK$'000	2014 HK$'000
Profit for the year has been arrived at after charging/ (crediting):		
Staff costs, including directors' emoluments	**37,900**	49,246
Contributions to retirement benefits schemes	**620**	630
	38,520	49,876
Depreciation of plant and equipment	**568**	716
Auditors' remuneration	**680**	750
Reversal of allowance for inventories (included in cost of sales)	**(839)**	(4,193)
Reversal of impairment loss on trade receivables	**–**	(3,294)
Cost of inventories recognised as expenses	**79,264**	91,590
Minimum lease payment in respect of rental premises	**2,957**	2,986

14. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

15. EARNINGS PER SHARE

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

	2015 *HK$'000*	2014 *HK$'000*
Profit		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**3,448**	27,607

Number of shares

	2015 *'000*	2014 *'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**11,919,198**	11,919,198

	2015	2014
Basic and diluted earnings per share (in HK cents)	**0.03**	0.23

The computation of diluted profit per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2015 and 2014.

16. PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
AT COST				
At 1 January 2014	223	145	4,406	4,774
Additions	17	17	891	925
Written off	–	(104)	–	(104)
At 31 December 2014 and 1 January 2015	240	58	5,297	5,595
Additions	32	–	–	32
At 31 December 2015	**272**	**58**	**5,297**	**5,627**
ACCUMULATED DEPRECIATION				
At 1 January 2014	38	66	2,996	3,100
Provided for the year	2	50	664	716
Eliminated on written off	–	(104)	–	(104)
At 31 December 2014 and 1 January 2015	40	12	3,660	3,712
Provided for the year	63	25	480	568
At 31 December 2015	**103**	**37**	**4,140**	**4,280**
CARRYING AMOUNTS				
At 31 December 2015	**169**	**21**	**1,157**	**1,347**
At 31 December 2014	200	46	1,637	1,883

16. PLANT AND EQUIPMENT (Continued)

Depreciation on plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Plant and machinery	10 years
Leasehold improvements, furniture and fixtures	3 to 5 years
Motor vehicles	3 to 8 years

The carrying value of motor vehicles includes amounts of approximately HK$779,000 (2014: approximately HK$1,263,000) in respect of assets held under finance leases.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	HK$'000	*HK$'000*
Unlisted equity securities *(Note)*	**2,500**	2,500
Less: impairment loss recognised in profit or loss	**(500)**	–
	2,000	2,500

Note: The investment in unlisted equity securities is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The impairment loss of HK$500,000 was related to an investment in an unlisted company which had suffered losses for years.

18. INTERESTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Cost less accumulated impairment of investment in associates		
– Listed in Hong Kong	–	148,843
Share of post-acquisition results and other comprehensive income	–	(66,492)
	–	82,351
Disposal	–	(25,943)
Derecognition	–	(56,408)
	–	–
Fair value of listed investments	–	–

Chinese Strategic

As at 31 December 2015, the Group held approximately 2.95% (2014: 6.82%) equity interests in Chinese Strategic, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

During the year ended 31 December 2014, the Group partially disposed of its interest in Chinese Strategic at a net consideration of approximately HK$11,091,000 and resulted in a loss of partial disposal of approximately HK$14,852,000.

As at 31 December 2014, the Group had ceased to have significant influence in the board of directors of Chinese Strategic. Accordingly, the investment in Chinese Strategic is derecognised as an associate and recognised as held for trading investment at the end of reporting period (note 23).

18. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2015 and 2014, the Group has interests in the following associates:

Name of Entity	Form of business Structure	Place of incorporation	Principal place of operation	Class of Shares held	Proposition of nominal value of issued capital held by the Group 2015	Proposition of nominal value of issued capital held by the Group 2014	Principal activities
Chinese Strategic	Incorporated	Bermuda	Hong Kong	Ordinary shares	-	–	Investment holding

Summarised financial information of Chinese Strategic:

	2015 HK$'000	2014 HK$'000
Current assets	–	599,664
Non-current assets	–	462,677
Current liabilities	–	(174,286)
Non-current liabilities	–	(35,788)
Non-controlling interests	–	(25,255)
Net assets	–	827,012
Turnover	–	150,483
Profit for the year	–	55,542
Other comprehensive income for the year	–	5,519
Total comprehensive income for the year	–	61,061

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2015 HK$'000	2014 HK$'000
Net assets	–	827,012
Proportion of the Group's ownership interest	–	–
Carrying amount of the Group's interest in Chinese Strategic	–	–

The associate is accounted for using the equity method in the consolidated financial statements.

19. INTERESTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	2015 HK$'000	2014 HK$'000
Deemed cost of investment in joint ventures		
Unlisted	594,056	594,056
Share of post-acquisition profits and other comprehensive income, net of dividends received	169,796	280,527
	763,852	874,583

Details of each of the Group's joint ventures at the end of the reporting period are as follow:

Name of entity	Nominal value of registered capital	Form of business structure and country of registration and operation	Proportion of nominal value of registered capital held by the Group		Group's percentage of voting power and profit sharing		Principal activities
			2015	2014	2015	2014	
Shanghai PME-XINHUA Polishing Materials Systems ("Shanghai PME-XINHUA") *(Note a)*	RMB10,000,000	Sino-foreign joint venture company PRC	60%	60%	60%	60%	Manufacturing and trading of polishing materials
Rizhao Lanshan Wansheng Harbour Company Limited ("Rizhao Lanshan") *(Note b)*	2015:RMB430,000,000 (2014: RMB430,000,000)	Sino-foreign joint venture company PRC	50%	50%	50%	50%	Loading and discharging storage services, leasing of terminal facilities and equipment

Notes:

(a) The Group holds 60% of the registered capital of Shanghai PME-XINHUA, and controls 60% of the voting power in the general meetings. However, under a shareholders' agreement, the major financing and operational decisions of Shanghai PME-XINHUA should be unanimously approved by the Group and another venturer. Therefore, Shanghai PME-XINHUA is regarded as a joint venture of the Group.

(b) The Group indirectly owns 50% of the equity interests in Rizhao Lanshan. Rizhao Lanshan is a Sino-foreign joint venture company established in the PRC and engaged in provision of terminal and logistics services including loading and discharging, storage and transfer of iron ore, steel products, timber and other goods and leasing of terminal facilities and equipment in Lanshan Harbour, Rizhao Port, Shandong Province of the PRC.

19. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information in respect of each of the Group's material joint ventures is set out below.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2015 HK$'000	2014 HK$'000
Rizhao Lanshan		
Current assets	229,814	346,629
Non-current assets	1,925,778	2,029,392
Current liabilities	(365,952)	(306,456)
Non-current liabilities	(361,572)	(421,107)
Net assets	1,428,068	1,648,458
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	50,690	197,152
Current financial liabilities (excluding trade and other payables and provisions)	(273,613)	(197,547)
Non-current financial liabilities (excluding trade and other payables and provisions)	(308,039)	(367,573)

19. INTERESTS IN JOINT VENTURES (Continued)

The joint venture is accounted for using the equity method in these consolidated financial statements. (Continued)

	2015 HK$'000	2014 HK$'000
Rizhao Lanshan		
Turnover	**619,163**	1,045,955
Profit for the year	**95,180**	329,032
Other comprehensive (loss)/income for the year	**(96,424)**	2,808
Total comprehensive (loss)/income for the year	**(1,244)**	331,840
Dividends paid by the joint venture during the year	**219,146**	338,842
The above profit for the year include the following:		
Depreciation and amortisation	**(77,972)**	(81,095)
Interest income	**344**	1,314
Interest expense	**(31,364)**	(38,633)
Income tax expense	**(31,477)**	(33,043)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Rizhao Lanshan recognised in the consolidated financial statements:

	2015 HK$'000	2014 HK$'000
Net assets	**1,428,068**	1,648,458
Proportion of the Group's ownership interest in Rizhao Lanshan	**50%**	50%
Proportion of the Group's ownership interest	**714,034**	824,229
Goodwill	**39,949**	39,949
Carrying amount of the Group's interest	**753,983**	864,178

19. INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint venture that is not individually material

	2015 HK$'000	2014 HK$'000
The Group's share of post-tax profit	1,108	1,436
The Group's share of other comprehensive loss	(815)	–
The Group's share of total comprehensive income	293	1,436
Dividend paid by joint venture during the year	829	–
Carrying amount of the Group's interests in joint ventures	9,869	10,405

During the year ended 31 December 2015, 日照港（集團）嵐山港務有限公司, a fellow subsidiary of a partner of a joint venture of the Group, provided a guarantee towards the banking facilities of the Group for null consideration. The Group shared 50% of a maximum guarantee of HK$ Nil (2014: HK$153,881,000) towards the banking facilities of 日照港（集團）嵐山港務有限公司 for null consideration during the year ended 31 December 2015.

20. INVENTORIES

	2015 HK$'000	2014 HK$'000
Finished goods	8,746	8,778
	8,746	8,778

During the year ended 31 December 2015, a reversal of impairment loss recognised inventories of approximately HK$839,000 (2014: HK$4,193,000) had been recognised and included in cost of sales as the corresponding inventories were sold.

21. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 *HK$'000*	2014 *HK$'000*
Trade receivables	27,656	24,186
Less: impairment losses on trade receivables	(1,133)	(1,133)
Trade receivables net of impairment loss	26,523	23,053
Other receivables, deposits and prepayments	3,075	5,510
	29,598	28,563

The Group does not hold any collateral over these balances.

The Group has a policy of allowing a credit period of 0 to 90 days to its trade receivables. In addition, for certain customers with long-established relationship and good past repayment history, a longer credit period may be granted.

21. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The aging analysis of the trade receivables, net of impairment loss recognised based on the invoice date, which approximated the respective revenue recognition dates at the end of the reporting period was as follows.

	2015 HK$'000	2014 HK$'000
Within 30 days	9,558	13,697
31 to 60 days	4,935	4,671
61 to 90 days	5,394	4,298
Over 90 days	6,636	387
	26,523	23,053
Other receivables, deposits and prepayment	3,075	5,510
	29,598	28,563

In determining the recoverability of a receivable, the Group considers whether there has been an adverse change in the credit standing of the trade receivables from the date on which credit was initially granted. Accordingly, the directors believe that there was no further credit provision required in excess of the accumulated impairment losses already provided for in the consolidated financial statements.

The Group's neither past due nor impaired trade receivables with aggregate carrying amount of approximately HK$19,887,000 (2014: approximately HK$22,666,000) mainly represent sales made to creditworthy customers for whom there was no recent history of default.

Included in the Group's receivable balance are trade receivables with aggregate carrying amount of approximately HK$6,636,000 (2014: HK$387,000) which were past due at the end of the reporting period but are regarded as not impaired as there has not been a significant change in the credit standing of the trade receivables.

Aging of trade debtors which is past due but not impaired

	2015 HK$'000	2014 HK$'000
Within 30 days	6,636	387
31 to 60 days	–	–
	6,636	387

21. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Movements in the accumulated impairment losses

	2015 HK$'000	2014 HK$'000
Balance at beginning of the year	1,133	9,339
Reversal of impairment loss during the year	–	(3,294)
Written off	–	(4,912)
Balance at end of the year	1,133	1,133

Included in the accumulated impairment losses were individually impaired receivables with an aggregate balance of approximately HK$1,133,000 (2014: approximately HK$1,133,000) which have either been in disputes with the Group or are in financial difficulties.

The trade receivables, other receivables, deposits and prepayments denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2015 HK$'000	2014 HK$'000
USD	147	138
Japanese Yen	45	1,862
RMB	63	6,154

22. CONVERTIBLE BONDS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK$'000	2014 HK$'000
Convertible bonds designated as financial assets at fair value through profit or loss	36,450	45,228

On 1 March 2013, the Group subscribed a convertible bond amounted to HK$32,000,000 which is newly issued by China Fortune Financial Group Limited ("China Fortune CB") and used to settle the same amount due from China Fortune Financial Group Limited ("China Fortune"). China Fortune CB is a three-year 5% coupon rate convertible bonds with a principal amount of HK$32,000,000 issued by China Fortune. The convertible bond can be converted, in an amount of not less than HK$500,000, into new ordinary shares of China Fortune at any time within a period of three years following the date of issue at a conversion price of HK$0.1 per share. The Group shall not convert the bond if, upon such issue, the Group and the parties acting in concert with it, shall be interested in 30% or more of the then enlarged issued share capital of China Fortune at the date of the relevant conversion.

The convertible bonds were matured on 1 March 2016. However the Group has not yet received the payment from China Fortune CB. The Group had agreed with China Fortune to extend the repayment date from 1 March 2016 to 4 July 2016 in order for both parties to negotiate a repayment schedule. The interest for the extended period from 1 March 2016 to 4 July 2016 shall be calculated at 5% per annum and payable monthly.

As at 31 December 2015, fair value of the China Fortune CB had been determined in accordance with a valuation report issued by Peak Vision Appraisals Limited, an independent valuer not connected to the Group, using the Binomial Option Pricing Model. A loss on fair value change of approximately HK$8,778,000 (2014: Gain of approximately HK$10,699,000) was recognised in consolidated statement of profit or loss.

Binominal option pricing model is used for valuation for the convertible bonds designated at financial assets at fair value through profit or loss. The inputs into the model of each convertible bond as at 31 December 2015 and 2014 were as follows:

22. CONVERTIBLE BONDS DESIGNATED AS FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

China Fortune CB

	2015	2014
Stock price	HK$0.12	HK$0.15
Conversion price	HK$0.10	HK$0.1
Volatility	37.9%	89.23%
Dividend yield	0%	0%
Option life (years)	0.17	3
Risk free rate	0.03%	0.28%

23. HELD FOR TRADING INVESTMENTS

	2015	2014
	HK$'000	*HK$'000*
Listed securities:		
Equity securities listed in Hong Kong, at fair value	44,117	88,485

24. DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS/BANK BALANCES AND CASH

	2015	2014
	HK$'000	*HK$'000*
Deposits placed with financial institutions	54,720	7,051
Cash at banks and in hand	394,867	346,144

The deposits placed with financial institutions are for trading in securities. The deposits carry interest at market rates which range from 0.01% to 0.05% (2014: 0.001% to 0.05%) per annum.

Bank balances carry interest at market rates which range from 0.01% to 1.45% (2014: 0.001% to 1.45%) per annum.

24. DEPOSITS PLACED WITH FINANCIAL INSTITUTIONS/BANK BALANCES AND CASH (Continued)

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entity to which they relate:

	2015 HK$'000	2014 HK$'000
RMB	234	748
USD	113,615	116,958
Japanese Yen	628	431
Euro	42	3

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

25. TRADE AND OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Trade payables	5,254	4,496
Other payables and accruals	67,500	88,548
	72,754	93,044

The aged analysis of the trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
Within 30 days	3,398	2,683
31 to 60 days	927	1,439
61 to 90 days	890	314
Over 90 days	39	60
	5,254	4,496
Other payables and accruals	67,500	88,548
	72,754	93,044

25. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

The credit period on purchases of goods ranged from 0 to 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The trade and other payables and accruals are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2015 HK$'000	2014 HK$'000
USD	66	127
Japanese Yen	4,045	2,504
Euro	958	5,855
RMB	98	33

26. OBLIGATIONS UNDER FINANCE LEASES

Analysed for reporting purposes as:

	2015 HK$'000	2014 HK$'000
Current liabilities	302	730
Non-current liabilities	555	858
	857	1,588

The average lease terms of the finance leases were four (2014: five) years. Interest rates are fixed at rates ranging from 1.65% to 2.25% (2014: 3.54% to 4.34%) per annum at the contract date. No arrangements have been entered into for contingent rental payments.

26. OBLIGATIONS UNDER FINANCE LEASES (Continued)

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**330**	779	**302**	730
In more than one year, but not more than two years	**252**	330	**235**	302
In more than two years, but not more than five years	**333**	574	**320**	556
	915	1,683	**857**	1,588
Less: future finance charges	**(58)**	(95)		
Present value of lease obligations	**857**	1,588		
Less: Amount due for settlement within twelve months (shown under current liabilities)			**(302)**	(730)
Amount due for settlements after twelve months			**555**	858

At 31 December 2015 and 2014, the Group's obligations under finance leases were secured by the lessor's charge over the plant and equipment (Note 16).

27. OTHER LOANS

	2015 HK$'000	2014 HK$'000
Other loans	**2,293**	–
Analysed as:		
Secured *(Note)*	**2,293**	–
	2,293	–

The exposure of the Group's loans is as follows:

	2015 HK$'000	2014 HK$'000
Fixed-rate loans	**2,293**	–

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's loans are as follows:

	2015	2014
Effective interest rate		
Fixed-rate loans	**7.5%**	–

Note:

The other loan represents the loan obtained from an insurance company, an independent third party of the Group, pursuant to the policy terms under the insurance agreement entered by the Group.

28. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each		Share capital	
	2015 '000	2014 '000	2015 HK$'000	2014 HK$'000
Authorised:	**40,000,000**	40,000,000	**400,000**	400,000
Issued and fully paid:	**11,919,198**	11,919,198	**119,192**	119,192

29. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:

	Withholding tax on undistributed profits of joint ventures in the PRC *HK$'000*
At 1 January 2014	18,311
Charge to consolidated statement of profit or loss for the year *(Note 12)*	22,766
Reallocated to current tax *(Note 12)*	(23,219)
At 31 December 2014 and 1 January 2015	17,858
Charge to consolidated statement of profit or loss for the year *(Note 12)*	2,435
Reallocated to current tax *(Note 12)*	(5,520)
At 31 December 2015	14,773

Under the EIT Law of PRC, withholding tax imposed on dividend declared in respect of profits earned by PRC joint ventures from 1 January 2008 onwards.

Withholding tax has been provided at 5% (2014: 10%) on the distributable profits of the Group's PRC joint ventures and included in deferred taxation.

As at 31 December 2015, the Group had deductible temporary differences of approximately (HK$6,025,000) (2014: HK$6,568,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible differences can be utilised.

As at 31 December 2015, the Group had unused tax losses of approximately HK$36,513,000 (2014: HK$353,656,000) available for offset against future profits. No deferred tax asset is recognised due to the unpredictability of future profit stream. The unused tax losses may be carried forward indefinitely.

30. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the Company's share option scheme adopted on 23 October 2002, the board of directors of the Company may, at its discretion, grant options to full-time employees (including executive directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares on the date of grant.

The maximum number of shares which may be in issue upon exercise of options granted and yet to be exercised under the share option scheme and any other scheme of the Company shall not exceed 30% of the total issued share capital of the Company from time to time.

The maximum number of shares issued and to be issued on the exercise of options granted and to be granted (included both exercised and outstanding options) in any 12 months period up to the date of grant to each eligible person shall not exceed 1% of the total issued share capital of the Company in issue, unless (i) a shareholders' circular is dispatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the limit referred to herein; and (iii) the relevant eligible person and its associates abstain from the voting on the resolution.

A nominal consideration of HK$1 is payable on acceptance of each grant.

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

2015

Name of participant	Date of grant	Exercisable period	Exercisable price *HK$*	Number of share options outstanding at 1 January	Lapsed during the year	Number of share options outstanding at 31 December
Directors						
Yeung Sau Han Agnes	27.5.2010	27.5.2010 to 26.5.2015	0.64	175,000,000	(175,000,000)	–
Cheng Kwok Woo	27.5.2010	27.5.2010 to 26.5.2015	0.64	1,500,000	(1,500,000)	–
Other employee	27.5.2010	27.5.2010 to 26.5.2015	0.64	1,500,000	(1,500,000)	–
				178,000,000	(178,000,000)	–

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

2014

Name of participant	Date of grant	Exercisable period	Exercisable price HK$	Number of share options outstanding at 1 January	Lapsed during the year	Number of share options outstanding at 31 December
Directors						
Yeung Sau Han Agnes	27.5.2010	27.5.2010 to 26.5.2015	0.64	175,000,000	–	175,000,000
Cheng Kwok Woo	27.5.2010	27.5.2010 to 26.5.2015	0.64	1,500,000	–	1,500,000
Other employee	27.5.2010	27.5.2010 to 26.5.2015	0.64	1,500,000	–	1,500,000
				178,000,000	–	178,000,000

No share-based payment expense was recognised during the year ended 31 December 2015 and 2014. The share option scheme was terminated in 2012. As at 31 December 2015, all the share options were lapsed.

31. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was approximately HK$143,000 (2014: HK$1,206,000).

The Group as lessee

At 31 December 2015, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	1,686	2,445
In the second to fifth year inclusive	519	1,299
	2,205	3,744

Leases were negotiated for a term of twelve months to thirty-six months with fixed rentals over the term of the lease.

32. RETIREMENT BENEFITS SCHEMES

The operating subsidiaries in Hong Kong joined the mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Scheme Ordinance. The assets of the scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contribution to the MPF Scheme at rates specified in the rules of the MPF Scheme. The obligation of the Group with respect of MPF Scheme is to make the required contribution under the MPF Scheme. The retirement benefits cost charged to the consolidated statement of profit or loss represent contributions payable to the MPF Scheme by the Group.

The PRC employees of the subsidiary in the PRC are members of the pension scheme operated by the PRC local government. The subsidiary is required to contribute a certain percentage of the relevant payroll of these employees to the pension scheme to fund the benefits. The only obligation for the Group with respect of the pension scheme is the required contributions under the pension scheme.

During the year, the Group made retirement benefits scheme contributions of approximately HK$620,000 (2014: HK$630,000).

33. RELATED PARTY TRANSACTIONS

Same as disclosed elsewhere in the consolidated financial statements, during the year the Group had the following transactions with related parties.

(a) The Group had the following transactions with its associates, joint ventures, partner of joint ventures during the year:

	2015 *HK$'000*	2014 *HK$'000*
Joint ventures		
Sales of polishing materials	**2,580**	4,854
Purchase of polishing materials	**74**	150
Fellow subsidiaries of a partner of a joint venture		
Service charges paid	**197,155**	229,322
Leasing income	**79,049**	79,492
Related company in which a director have beneficial interest		
Subcontracting fee paid	**2,468**	2,768

(b) Other than those disclosed elsewhere in the consolidated financial statements, the outstanding balance with related entity at year end are as follows:

	2015 *HK$'000*	2014 *HK$'000*
Joint Ventures		
Amount due to a joint venture *(Note)*	**–**	(75)

Note: The amount due to a joint venture was unsecured, interest free and repayable on demand.

(c) The remuneration of directors and key management personnel during the year are set out in Note 11. The remuneration of directors and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trend.

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2014, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$891,000.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2015 and 2014 were as follows:

Name of subsidiary	Place of Incorporation/ operation	Issued and fully paid share capital (note a)	Proportion of Nominal value of issued share capital held by the Company		Principal activities
			2015	2014	
Indirectly held by the Company					
Fook Cheong Ho International Limited	Hong Kong	5% non-voting deferred shares HK$300,000 *(note b)* Ordinary shares HK$1,000,000	100%	100%	Trading of polishing materials and equipment
PME International Company Limited	Hong Kong	5% non-voting deferred shares HK$19,200,000 *(note c)* Ordinary shares HK$100,000	100%	100%	Investment holding and trading of polishing materials and equipment
Able Winner International Limited	Hong Kong	Ordinary shares HK$1	100%	100%	Investment holding
Sunbright Asia Limited	British Virgin Islands ("BVI")	Ordinary shares US$1,000	100%	100%	Investment holding
One Express Group Limited	BVI	Ordinary shares US$1,000	100%	100%	Investment holding
Betterment Enterprises Limited	BVI	Ordinary shares US$10,000	99.49%	99.49%	Investment holding
Upmove International Limited	Hong Kong	Ordinary share HK$1	100%	100%	Investment holding
Elegant Basic Investments Limited	BVI	Ordinary shares US$100	100%	100%	Investment

Note: The Company does not have any individual company with material non-controlling interest as at 31 December 2015 and 2014.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(a) All principal subsidiaries operate principally in Hong Kong.

(b) The 5% non-voting deferred shares of HK$1 each are not held by the Group and practically carrying no right to dividend or to receive notice of or to attend or vote at any annual general meeting of the companies. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining asset of the companies only after the distribution of HK$1,000,000 million, as specified in the articles of association, to holders of ordinary shares.

(c) The 5% non-voting deferred shares of HK$10 each are not held by the Group and practically carrying no right to dividend or to receive notice of or to attend or vote at any annual general meeting of the companies.

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

None of the subsidiaries had any debt securities subsisting at 31 December 2015 and 2014 or at anytime during the year.

As at 31 December 2015 and 2014, the Group's subsidiaries do not have any material non-controlling interests.

36. EVENTS AFTER THE REPORTING PERIOD

1) English name of the Company has been changed from "PME Group Limited" to "China Ever Grand Financial Leasing Group Co., Ltd." and the Chinese name "中國恒嘉融資租賃集團有限公司" be registered as the secondary name of the Company to replace the old Chinese name "必美宜集團有限公司" which was adopted for identification purpose only. For details, please refer to the announcement dated 24 February 2016 issued by the Company.

2) The Group has completed the very substantial acquisition and connected transaction on 7 January 2016. All applicable conditions precedent of the acquisition agreement and capital injection agreement have been satisfied and that the acquisition completion and capital injection completion took place on 7 January 2016. The directors of the Group are still assessing the impact of the acquisition to the Group up to the date of this report. For details, please refer to the announcements dated 30 October 2015 and 7 January 2016 issued by the Company.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2015 HK$'000	31/12/2014 HK$'000
Non-current assets		
Investment in subsidiaries	123,248	112,248
Current assets		
Other receivables, deposits and prepayments	1,091	1,091
Amounts due from subsidiaries *(note a)*	624,114	635,014
Bank balances and cash	578	111
	625,783	636,216
Current liabilities		
Other payables and accruals	15,323	26,135
Amounts due to subsidiaries *(note a)*	277,881	244,446
	293,204	270,581
Net current assets	332,579	365,635
Total assets less current liabilities	455,827	477,883
Capital and reserves		
Share capital	119,192	119,192
Reserves *(note b)*	336,635	358,691
Total equity	455,827	477,883

Approved and authorised for issue by the board of directors on 29 March 2016.

WONG LIK PING
Director

LAI KA FAI
Director

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) Amounts due from/to subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand. The fair values of the amounts at the end of the reporting period approximated to the corresponding carrying amounts due to their short-term maturities.

(b) Reserves

	Share premium HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	1,520,921	63,700	(1,198,682)	385,939
Loss for the year	–	–	(27,248)	(27,248)
At 31 December 2014 and 1 January 2015	1,520,921	63,700	(1,225,930)	358,691
Loss for the year	–	–	(22,056)	(22,056)
Lapse of share options	–	(63,700)	63,700	–
At 31 December 2015	**1,520,921**	**–**	**(1,184,286)**	**336,635**

38. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2015 and 2014.

39. CAPITAL COMMITMENTS

The Group had no material capital commitment as at 31 December 2015 and 2014.

40. COMPARATIVE FINANCIAL INFORMATION

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

41. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 29 March 2016.

FINANCIAL SUMMARY

For the year ended 31 December 2015

RESULTS

	Year ended 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
		(Restated)			
Turnover	266,890	105,367	84,214	138,309	**258,596**
Revenue	265,683	79,740	80,297	89,797	**82,767**
Profit/(loss) before taxation	(420,477)	6,300	119,926	50,552	**(106)**
Taxation	(12,112)	(8,728)	(11,419)	(22,945)	**3,554**
Profit/(loss) for the year	(432,589)	(2,428)	108,507	27,607	**3,448**
Profit/(loss) for the year attributable to:					
– Owners of the Company	(432,451)	(2,426)	108,507	27,607	**3,448**
– Non-controlling interests	(138)	(2)	–	–	**–**
	(432,589)	(2,428)	108,507	27,607	**3,448**

ASSETS AND LIABILITIES

	As at 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
		(Restated)			
Total assets	855,787	874,544	1,368,516	1,403,565	**1,336,047**
Total liabilities	(336,523)	(227,436)	(143,424)	(149,550)	**(127,659)**
	519,264	647,108	1,225,092	1,254,015	**1,208,388**
Equity attributable to owners of the Company	518,289	646,263	1,224,247	1,253,170	**1,207,543**
Non-controlling interests	975	845	845	845	**845**
	519,264	647,108	1,225,092	1,254,015	**1,208,388**