



ANNUAL REPORT 2015
**CHINA MINSHENG
FINANCIAL HOLDING
CORPORATION
LIMITED**

中國民生金融控股有限公司

(Incorporate in Hong Kong with limited liability)

Stock Code: 245

Contents

	Pages
CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	4
MANAGEMENT DISCUSSION AND ANALYSIS	5
REPORT OF THE DIRECTORS	10
CORPORATE GOVERNANCE REPORT	29
DIRECTORS' PROFILES	40
INDEPENDENT AUDITOR'S REPORT	46
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	48
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	49
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	50
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	51
CONSOLIDATED STATEMENT OF CASH FLOWS	52
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	54
FIVE YEAR FINANCIAL SUMMARY	98

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Liu Tianlin (*Vice Chairman*)

(Appointed on 11 December 2015)

Wang Sing (*Chief Executive Officer*)

(Appointed on 17 February 2016)

Feng Xiaoying (*Deputy Chief Executive Officer*)

(Appointed on 11 December 2015)

Zhao Hongbo (Appointed on 11 December 2015)

Ni Xinguang

(Resigned as Chairman and re-designated as a Non-executive Director on 11 December 2015)

Chen Xiaoyan

(Resigned on 11 December 2015)

Non-executive Directors

Zhang Sheng (*Chairman*)

(Appointed on 11 December 2015)

Ni Xinguang (Re-designated as a

Non-executive Director on 11 December 2015)

Tu Baogui

(Resigned on 11 December 2015)

Independent Non-executive Directors

Chen Johnny (Appointed on 11 December 2015)

Thaddeus Thomas Beczak

(Appointed on 20 February 2016)

Lyu Wei

Ling Yu Zhang

Wong Chak Keung (Resigned on 11 December 2015)

AUDIT COMMITTEE

Chen Johnny (*Chairman*)

(Appointed as Chairman and member on 11 December 2015)

Lyu Wei

Ni Xinguang

(Appointed as member on 11 December 2015)

Wong Chak Keung

(Resigned on 11 December 2015)

Ling Yu Zhang

(Resigned as member on 11 December 2015)

NOMINATION COMMITTEE

Zhang Sheng (*Chairman*)

(Appointed as Chairman and member on 11 December 2015)

Lyu Wei

(Resigned as Chairman on 11 December 2015)

Thaddeus Thomas Beczak

(Appointed as member on 20 February 2016)

Ling Yu Zhang

(Resigned as member on 20 February 2016)

Wong Chak Keung (Resigned on 11 December 2015)

REMUNERATION COMMITTEE

Chen Johnny (*Chairman*)

(Appointed as Chairman and member on 11 December 2015)

Ni Xinguang (Appointed as member on 11 December 2015)

Thaddeus Thomas Beczak

(Appointed as member on 20 February 2016)

Ling Yu Zhang

(Resigned as Chairman on 11 December 2015 and resigned as member on 20 February 2016)

Wong Chak Keung (Resigned on 11 December 2015)

Lyu Wei (Resigned as member on 11 December 2015)

COMPANY SECRETARY

Wong Choi Chak (Appointed on 30 May 2015)

Law Gerald Edwin (Resigned on 30 May 2015)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Shanghai Co., Ltd

China Merchants Bank, Hong Kong Branch

China Construction Bank Corporation

DBS Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

SOLICITORS

Hong Kong Law

YTL & Co.

PRC Law

Yulan & Partners

CORPORATE INFORMATION

INDEPENDENT AUDITOR

RSM Hong Kong
Certified Public Accountants

REGISTERED OFFICE

Unit A02, 11/F
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN SHANGHAI

No. 568 Hongxu Road
Minhang District
Shanghai
China

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

245 HK

WEBSITE

www.cm-fin.com

CHAIRMAN'S STATEMENT

2015 is the year when China Minsheng Financial Holding Corporation Limited (the "China Minsheng Financial Holding" or the "Company") came into being. After due and careful consideration of its future development direction and the long-term interests of its shareholders, China Seven Star Holdings Limited, our predecessor, entered into a subscription agreement with CMI Capital Company Limited (中民投資資本管理有限公司) (the "CMI Capital"), a subsidiary of China Minsheng Investment Corporation Limited (中國民生投資股份有限公司), and other strategic investors. We are very glad to see the successful completion of the subscription in December 2015 when CMI Capital became the largest shareholder of the Company. Apart from announcing the Company's first post-subscription results, I, on behalf of the Company, would also like to take this opportunity to express our sincere appreciation to all of our shareholders and regulatory authorities for their huge support to the Company.

The establishment of China Minsheng Financial Holding is an essential part of CMI Capital's operating strategies. Being granted the licenses for a range of financial services, the Company is able to conduct businesses in relation to asset management, securities brokerage and money lending in Hong Kong. As observed from our published results, the Company has been undergoing business transformation, which incurred part of the loss for 2015. By following the strategic development direction tailor-made for China Minsheng Financial Holding, we have started to gradually reorganize the businesses originally run by the Company's predecessor so as to prepare for the major development of an integrated financial platform in the coming two years. Leveraging on its sound balance sheet and solid capital base, China Minsheng Financial Holding is well-positioned for future growth.

In addition, we are committed to team building and corporate governance of the Company. Under the leadership of our newly appointed Chief Executive Officer, who has accumulated extensive experience and invaluable resourcefulness from working with various sizable international financial institutions and multinational companies, the Company will be able to enter a brand new development stage. Besides, we are deeply honored to have veterans like Mr. Thaddeus Thomas Beczak and Mr. Chen Johnny to support our future development by assuming the position of the Company's independent directors. With the aim of further enhancing the Company's operation and management standards so as to get in line with the international best practice, the Company intends to engage Messrs. PriceWaterhouseCoopers to perform audit services.

The Company's new shareholders and management team have a very consistent and clear concept of the development strategies for China Minsheng Financial Holding's future growth.

Last but not least, I would like to once again express my gratitude towards all of our shareholders, regulatory authorities, the new management team and every staff member of the Company for their support to and trust in China Minsheng Financial Holding. I expect 2016 to be a year for us to boldly explore the financial service sector and seize every business opportunity for growth.

China Minsheng Financial Holding Corporation Limited
Zhang Sheng

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGY AND OUTLOOK

The coming one to two years will be an essential period for the Group to establish its business model, and also a period full of opportunities.

The high-speed economic growth of China entered the “new normal” period with a gradual slowdown to a medium-to-high growing pace. The latest 13th Five-Year Plan is crucial to the economic restructuring of China, which is the main factor affecting the buffering of economic downturn and the potential of economic growth. In face of various uncertainties, there will be certain volatility in the financial investment market, which as a result will, to a certain extent, pose uncertainties to the Group’s operations.

In addition, the increased uncertainties associated with the global economy and the expected adjustments to long-term interest rates will together affect the quality of financial assets, in turn causing pressure on the yields of financial products.

Taking into account the challenging national and international macro-economic environment as a whole, the Group is well-prepared for capturing any future opportunities in a timely manner. In 2015, by adhering to its conservative and prudent approach, the Group successfully streamlined both its assets and investments and consolidated its business foundation, so as to capitalize on the future opportunities.

Furthermore, the Group will focus on its core financial business by placing importance on the development of regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”), in order to lay a solid foundation for the Group’s business and bring in primary income with reasonable growths.

Leveraging on its considerable proceeds from the share subscription completed in December 2015, the Group possesses sufficient funds to carry out merger and acquisitions of suitable assets when prices of assets fall back to a reasonable level. The Group plans to evaluate and acquire companies with current profitability or high-tech businesses within the financial sector in the future, in turn bringing mature experience, technology and profit to the Group, and at the same time gradually founding a strategic layout for the growth of the Group’s operations and returns in the future.

MARKET REVIEW

In 2015, China’s economic growth continuously slowed down with the GDP growth of 6.9% for the first three quarters, which is the record low after the financial turmoil. The three main elements for the economic growth of China, namely export, investment in fixed assets and consumption, lacked growing momentum to meet the growth target set by the government. Meanwhile, in light of the uncertainties arising from the retreat on easing policy for US dollars, subsisting unstable environment in Eurozone and geopolitical conflicts, the global economy is still exposed to considerable risks.

The slowdown in economic growth is somehow an essential stage in economic restructuring, and the economic cycle is still within a reasonable range. Since Renminbi was officially included in the currency basket by the International Monetary Fund (IMF) at the end of last year, and the Chinese government strived to ensure its planned economic growth reaches the expected level, China’s economic trend in the coming year is still promising. Moreover, the Chinese government’s supportive and encouraging policies for new economy industries will facilitate the Group in exploring any development opportunities in the relatively volatile market.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China Minsheng Investment Corporation Limited (中國民生投資股份有限公司) (“CM Investment”) group has become the controlling shareholder of the Company after the completion of its acquisition of equity interest in China Seven Star Holdings Limited in December 2015. Subsequently, China Seven Star Holdings Limited was officially renamed as China Minsheng Financial Holding Corporation Limited.

With a view to attracting new investors to form a broader shareholder base of the Company, on 5 October 2015, the Company officially changed its board lot size from 40,000 shares to 10,000 shares to enhance the liquidity of its shares in the market.

Amongst the businesses of the Group, only the chemical materials business contributed a profit of approximately HK\$1,777,000 to the Group as at 31 December 2015. Given the fierce competition faced by its original businesses in China’s markets, the Group will adopt appropriate strategies such as downsizing businesses with unsatisfactory profitability and undertaking regular reviews and adjustments.

On the other hand, in light of the opportunities emerging in the interconnectivity of stock markets and financial products in China and Hong Kong, coupled with the possible increase in companies listed in Hong Kong due to the suspension of IPO market in China, the Board believes that the prospects of the financial services industry and the relevant business are optimistic, and view them as the core business of the Group in the future. The Group plans to actively identify opportunities to expand its core business in the year.

In this regard, the Group entered into the acquisitions of the entire equity interests in both YGD Securities (HK) Limited and Yuan Asset Management Limited during the year. The total consideration for the acquisition of the entire equity interests in YGD Securities (HK) Limited was HK\$22,656,000. YGD Securities (HK) Limited is licensed to carry out type 1 regulated activity (dealing in securities) under the SFO. It has trading rights on the Stock Exchange and is a participant to the Central Clearing and Settlement System (CCASS) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). On the other front, the total consideration for the acquisition of the entire equity interests in Yuan Asset Management Limited was HK\$6,130,000 (cash of HK\$5,300,000 and expenses reimbursement of HK\$830,000). Yuan Asset Management Limited is licensed to carry out type 4 regulated activity (advising on securities) and type 9 regulated activity (asset management) under the SFO. Following completion of the two aforesaid acquisitions, the two indirect wholly-owned subsidiaries were renamed as CM Securities (Hongkong) Company Limited and CM Asset Management (Hongkong) Company Limited, respectively.

The Group plans to use both CM Securities (Hongkong) Company Limited and CM Asset Management (Hongkong) Company Limited as its platforms for financial services and related businesses with the intention to gradually develop the Group into a sized comprehensive financial services platform that offers services including trading of securities, securities margin financing, asset management, strategic investment and corporate finance.

MANAGEMENT DISCUSSION AND ANALYSIS

In an effort to accelerate the pace of tapping into the financial sector, the Board believes that the introduction of prominent and reputable strategic investors will enhance the Group's professional experience and develop the pipeline of business opportunities in the financial services sector. As such, the Group introduced CM Investment, its group and other strategic investors by entering into share subscription agreement and deeds of accession. Such agreement and deeds of accession were completed in December 2015. Upon the share subscription, there were 28,905,331,250 shares of the Company in issue, of which 20,418,000,000 shares in aggregate were held by the CM Investment, the controlling shareholder of the Group. The Group believes that, a strong shareholder base will effectively promote clients' confidence in the Group and broaden its customer base, in turn creating more business opportunities with the support from the shareholders.

Sales results and performance review

For the year ended 31 December 2015, the Group's audited consolidated turnover was approximately HK\$201,091,000, which represents an increase of approximately 195.35% from the same period of last year, mainly attributable from the trading of chemical materials.

The breakdown of the Group's turnover recognised in the audited consolidated statement of profit or loss was as follows:

For the year ended 31 December 2015, in HK\$'000

	2015	2014	Change
Insurance agency service income	8,701	10,354	-15.96%
Trading of chemical materials	192,358	57,732	+233.19%
Commission for securities brokerage	32	-	N/A
Turnover	201,091	68,086	+195.35%

The Group recorded a gross profit of approximately HK\$1,835,000 and a gross profit margin of 0.9%, which is lower than the 1.2% of the same period last year. The gross profit was mainly generated from the trading of chemical materials.

The Group recorded a loss attributable to owners of the Company of approximately HK\$28,580,000 for the year ended 31 December 2015 which decreased by 5.2% as compared with the loss attributable to owners of the Company of approximately HK\$30,144,000 for the year ended 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

On financial position and cash flows, as at and for the year ended 31 December 2015, the Group's total assets were approximately HK\$5,084,840,000 (2014: approximately HK\$40,193,000), an increase of 12,551.1% when compared with 2014. Net cash (outflows)/inflows from operating activities, investing activities and financing activities were approximately HK\$(28,542,000), HK\$(18,176,000) and HK\$5,079,590,000 respectively (2014: approximately HK\$(34,729,000), HK\$5,083,000 and HK\$18,198,000). Capital expenditure was approximately HK\$18,863,000 for the year (2014: nil). Depreciation and amortization for tangible and intangible assets were approximately HK\$436,000 (2014: approximately HK\$1,113,000). As at 31 December 2015, the Group's total cash (including pledged bank deposits) was approximately HK\$5,062,764,000 (2014: approximately HK\$29,879,000).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2015, the Group's financial assets (excluding receivables and deposits) amounted to approximately HK\$5,062,963,000 (2014: approximately HK\$30,087,000), of which approximately HK\$5,062,465,000 (2014: approximately HK\$29,567,000) were liquid cash deposits.

The Directors are of the opinion that there are sufficient cash resources for the Group to meet its financial obligation and business requirements.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND RELATED HEDGING

The Directors considered that the Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in foreign currencies other than its functional currency. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

STAFF AND REMUNERATION POLICY

The Group had 59 employees (including Directors) as at 31 December 2015 (2014: 36). The Group recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary levels in the market.

GEARING RATIO

As at 31 December 2015, the Group had total assets of approximately HK\$5,084,840,000 (2014: approximately HK\$40,193,000) and the gearing ratio (calculated on the basis of the Group's total bank and other borrowings, over the equity attributable to owners of the Company) was Nil as at 31 December 2015 (2014: Nil).

CAPITAL STRUCTURE

On 22 April 2015, the Company, Group First and the Placing Agent entered into the Placing and Subscription Agreement, pursuant to which Group First agreed to place and the Placing Agent agreed to procure not less than six placees to purchase 83,360,000 shares at a placing price of HK\$0.60 per share from Group First, and Group First agreed to subscribe new shares equivalent to the number of placing shares of 83,360,000 shares at a subscription price equivalent to the placing price of HK\$0.60 per share from the Company. The Placing and Subscription was completed on 5 May 2015, and net proceeds of approximately HK\$48,706,000 were credited to the Company's share capital.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to a subscription agreement dated 18 June 2015 and the Company conditionally agreed to allot and issue 20,418,000,000 subscription shares to CM Investment Group and 5,898,000,000 subscription shares to other investors (by way of deeds of accession) at a subscription price of HK\$0.19 per share. The net price of the subscription share after deduction of relevant expenses (including but not limited to the professional fees and disbursements) is approximately HK\$0.1898 per share.

The subscription was completed on 11 December 2015, and net proceeds of approximately HK\$4,993,552,000 were received.

During May to December 2015, the aggregate 219,600,000 share options granted in 2014 were exercised and net proceeds of approximately HK\$37,332,000 were credited to the Company's share capital. Besides the related share based payment reserves of approximately HK\$12,583,000 was transferred to the Company's share capital.

Save as disclosed above, there were no other changes in the capital structure of the Company during the year ended 31 December 2015.

CHARGES ON GROUP'S ASSETS

As at 31 December 2015, apart from a deposit pledged to a bank of approximately HK\$299,000 (2014: approximately HK\$312,000) as security for a corporate card with credit limit of approximately HK\$239,000 (2014: approximately HK\$250,000) granted to a non-executive director (2014: executive director) of the Group, there were no other charges on the Group's assets.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2015.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2015.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Pursuant to a sales and purchase agreement dated 14 June 2015, the Company acquired 100% equity interest of YGD Securities (HK) Limited from YGD Finance Holdings Limited through its wholly-owned subsidiary, China Seven Star Real Estate Operation Management Limited at a total consideration of HK\$22,656,000. The acquisition was completed on 29 September 2015.

Pursuant to an equity transfer agreement dated 15 June 2015, the Company acquired 100% equity interest of Yuan Asset Management Limited from Mr. Yen Jong Ling through its wholly-owned subsidiary, China Seven Star Asset Management Limited at a total consideration of HK\$6,130,000 (cash of HK\$5,300,000 and expenses reimbursement of HK\$830,000). The acquisition was completed on 29 September 2015.

Following completion of the two acquisitions, YGD Securities (HK) Limited and Yuan Asset Management Limited become indirect wholly owned subsidiaries of the Company and have been subsequently renamed as CM Securities (Hongkong) Company Limited and CM Asset Management (Hongkong) Company Limited respectively.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2015.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group is principally engaged in provision of securities brokerage and asset management services in Hong Kong, trading of chemical materials, provision of insurance agency, real estate consultancy and solar power services in the People's Republic of China ("the PRC").

The Group's turnover is mainly derived from business activities in Mainland China. An analysis of the Group's income for the year is set out in note 8 to the consolidated financial statements.

Particulars of the Company's major subsidiaries as at 31 December 2015 are set out in note 20 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business and its outlook are set out in the section of Management Discussion & Analysis. Certain financial key performance indicators are provided in the section of Five-Year Financial Summary. No important event affecting the Group has occurred since the end of the financial year under review.

The Group complies with the requirements under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the SFO for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and ordinances relating to occupational safety for the interest of employees of the Group.

The Group respects the environment and is committed to minimizing its carbon footprints as a socially responsible enterprise in Hong Kong. Carbon footprint is defined as the total amount of direct and indirect emissions of Green House Gases (GHGs) expressed in terms of the equivalent amount of Carbon Dioxide of (CO₂) emission. Non-hazardous wastes produced from the Group mainly consist of used paper such as office papers and marketing materials. To minimize the impact on carbon footprints and the environment, the Group implements the following practices to use paper efficiently:

- Duplex printing is set as the default mode for most network printers;
- Employees are reminded to practice photocopying wisely;
- Employees are encouraged to use both sides of paper;
- Paper waste is recycled instead of being directly disposed in landfills;
- Paper is separated from other waste for easier recycling; and
- Boxes and trays are placed beside photocopiers as containers to collect single-sided paper for reuse purpose.

REPORT OF THE DIRECTORS

Electricity consumption is identified as having an adverse impact on the environment and natural resources. A typical commercial building uses more energy for lighting than for other electric equipment. The Group is determined to reduce energy consumption and implement conservation practices to reduce the effect on carbon footprint. Air conditioning and light zone arrangements reduce unnecessary electricity usage; employees enforce good practices in maintenance of lighting and electric equipment to ensure they are kept in good and proper condition to maximize efficiency.

KEY RISK FACTORS

The following lists out the key risks and uncertainties facing the Group.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

REPORT OF THE DIRECTORS

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 consolidated statement of profit or loss and other comprehensive income on pages 48 to 49 of this annual report.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2015 (2014: HK\$Nil).

ANNUAL GENERAL MEETING

The 2016 annual general meeting (the "2016 AGM") will be held on 16 June 2016.

SHARES ISSUED DURING THE YEAR

Details of the shares issued during the year end 31 December 2015 are set out in note 25 to the consolidated financial statements.

RESERVES

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2015, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap 622), amounted to HK\$Nil (2014: HK\$Nil).

FIVE YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, are summarised on page 98 of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS OF THE COMPANY

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

Executive Directors

Mr. Liu Tianlin (*Vice Chairman*) (Appointed on 11 December 2015)

Mr. Wang Sing (*Chief Executive Officer*) (Appointed on 17 February 2016)

Ms. Feng Xiaoying (*Deputy Chief Executive Officer*) (Appointed on 11 December 2015)

Mr. Zhao Hongbo (Appointed on 11 December 2015)

Mr. Ni Xinguang (*Resigned as Chairman and re-designated as a Non-executive Director on 11 December 2015*)

Ms. Chen Xiaoyan (*Resigned on 11 December 2015*)

Non-executive Directors

Mr. Zhang Sheng (*Chairman*) (Appointed on 11 December 2015)

Mr. Ni Xinguang (*Re-designated as a Non-executive Director on 11 December 2015*)

Mr. Tu Baogui (*Resigned on 11 December 2015*)

Independent Non-executive Directors

Mr. Chen Johnny (Appointed on 11 December 2015)

Mr. Thaddeus Thomas Beczak (Appointed on 20 February 2016)

Mr. Lyu Wei

Mr. Ling Yu Zhang

Mr. Wong Chak Keung (*Resigned on 11 December 2015*)

On 11 December 2015, Mr. Tu Baogui, Ms. Chen Xiaoyan and Mr. Wong Chak Keung resigned as directors of the Company due to the pursuit of their respective personal career development.

In accordance with article 116 of the articles of association of the Company (the "Articles"), Mr. Ni Xinguang, Mr. Lyu Wei and Mr. Ling Yu Zhang will retire by rotation at the 2016 AGM and, being eligible, offer themselves for re-election.

In accordance with articles 99 and 117 of the Articles, Mr. Zhang Sheng, Mr. Liu Tianlin, Mr. Wang Sing, Ms. Feng Xiaoying, Mr. Zhao Hongbo, Mr. Chen Johnny and Mr. Thaddeus Thomas Beczak will retire at the 2016 AGM and, being eligible, offer themselves for re-election.

DIRECTORS' PROFILES

Directors' profiles are set out on pages 40 to 45 of this annual report.

REPORT OF THE DIRECTORS

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, namely Mr. Chen Johnny, Mr. Thaddeus Thomas Beczak, Mr. Lyu Wei and Mr. Ling Yu Zhang, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

For the executive Directors, Mr. Liu Tianlin, Ms. Feng Xiaoying and Mr. Zhao Hongbo entered into a service contract with the Company for a term of three years with effect from 11 December 2015. Mr. Wang Sing entered into a service contract with the Company for a term of three years with effect from 17 February 2016. For the non-executive Directors, Mr. Zhang Sheng entered into a service contract with the Company for a term of three years with effect from 11 December 2015. Mr. Ni Xinguang entered into a service contract with the Company for a period of two years commencing from 1 April 2008 which has expired on 31 March 2010. Mr. Ni has not entered into any new written service contract with the Company. For the independent non-executive Directors, Mr. Chen Johnny and Mr. Thaddeus Thomas Beczak entered into an appointment letter with the Company for a term of three years with effect from 11 December 2015 and 20 February 2016 respectively. Mr. Lyu Wei and Mr. Ling Yu Zhang, as independent non-executive Directors, have not entered into any written service contract with the Company and they are not appointed for specific term, but they are subject to retirement by rotation in accordance with the Articles.

No Director proposed for re-election at the 2016 AGM has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS OF SUBSIDIARIES

During the year and up to the date of this report, the subsidiaries of the Company (the "Subsidiaries") and the list of directors of the Subsidiaries are listed out as follows:

Name of Subsidiary	Members of Board of Directors
Bright Wick Limited	Ni Xinguang
Cheong Wa Limited	Ni Xinguang
China Fame International Investment Limited	Ni Xinguang
China Seven Star Group Secretarial Services Limited	Ni Xinguang
CM Aspiration Limited	Wang Sing (Appointed on 25 April 2016) Feng Xiaoying
CM Asset Management (Hongkong) Company Limited	Wang Sing (Appointed on 25 April 2016) Feng Xiaoying (Appointed on 25 April 2016) Wu Binhong (Appointed on 25 April 2016) Ni Xinguang (Resigned on 25 April 2016) Chen Xiaoyan (Resigned on 25 April 2015) Yen Jong Ling (Resigned on 25 April 2015)
CM Financial Services Holding Limited	Wang Sing (Appointed on 25 April 2016) Feng Xiaoying
CM Investment Services Holding Limited	Wang Sing (Appointed on 25 April 2016) Feng Xiaoying
CM Prosperity Limited	Wang Sing (Appointed on 25 April 2016) Feng Xiaoying
CM Securities (Hongkong) Company Limited	Wang Sing (Appointed on 25 April 2016) Feng Xiaoying (Appointed on 25 April 2016) Tan Wentao (Appointed on 25 April 2016) Ni Xinguang (Resigned on 25 April 2016) Chen Xiaoyan (Resigned on 25 April 2015) Kong Suet Long (Resigned on 25 April 2015)
CM Securities Holdings Limited (Formerly known as China Seven Star Real Estate Operation Management Limited)	Wang Sing (Appointed on 25 April 2016) Feng Xiaoying (Appointed on 1 March 2016) Ni Xinguang (Resigned on 1 March 2016)
CM Securities Investment Limited	Wang Sing (Appointed on 25 April 2016) Feng Xiaoying
CM Wealth Holdings Limited (Formerly known as China Seven Star Wealth Management Limited)	Wang Sing (Appointed on 25 April 2016) Feng Xiaoying (Appointed on 1 March 2016) Ni Xinguang (Resigned on 1 March 2016) Chen Fenfei (Resigned on 1 March 2016)
China Seven Star Asset Management Limited	Feng Xiaoying (Appointed on 1 March 2016) Ni Xinguang (Resigned on 1 March 2016)
China Seven Star New Energy Holdings Limited	Ni Xinguang Wang Xiangfu (Resigned on 29 February 2016)
China Seven Star Network Financial Management Limited	Ni Xinguang
Cyberspring Limited	Ni Xinguang
Fozhou Jiayi Media Co., Ltd.* (福州家禧傳媒有限責任公司)	Liu Yiping Lin Dong Wei Wenjun Liu Tianfeng Han Qian
Fuzhou Landun Science of Life Co., Ltd. (福州藍頓生命科技有限公司)	Ni Xinguang Sui Yuwei Han Qian
Fuzhou Shenxing Network Information Consultant Service Co. Ltd.* (福州盛星網絡信息諮詢服務有限公司)	Sui Yuwei

REPORT OF THE DIRECTORS

Name of Subsidiary	Members of Board of Directors
Fairsheen Limited	Ni Xinguang
Kailey International Limited	Ni Xinguang
King Respect Limited	Ni Xinguang
Kong Tai Properties Development Company Limited	Ni Xinguang
Marson Development Limited	Ni Xinguang
Pak Fook Company Limited	Ni Xinguang
Power Giant Limited	Ni Xinguang
Seven Star Shopping Limited	Ni Xinguang
Singapore Hong Kong Properties Investment Limited	Ni Xinguang
Smart Idea Investment Limited	Ni Xinguang
Solar Regent Investments Limited	Ni Xinguang
Sunny Giant Limited	Ni Xinguang
Teleking Development Limited	Ni Xinguang
Top Pro Limited	Ni Xinguang
Wholesome Investments Limited	Ni Xinguang
World Grace Holdings Limited	Ni Xinguang
World Structure Limited	Ni Xinguang
Seven Star Shopping (China) Co., Ltd.* (七星購物(中國)有限公司)	Ni Xinguang
Shanghai Xishiduo Hanying Kitchen Ware Ltd. * (上海喜世多漢英廚具有限公司)	Sui Yuwei and Han Qian
Shanghai Seven Star International Shopping Co., Ltd. * (上海七星國際購物有限公司)	Xu Lixia
	Sui Yuwei
	Liu Tianfeng
Shanghai Xiangsheng Insurance Agency Co., Ltd. * (上海祥生保險代理有限公司)	Han Qian
Shanghai Xingru Householding Engineering & Design Co., Ltd. * (上海星茹家居工程設計有限公司)	Li Rongfen
	Fang Jialu
Shanghai Seven Star Trading Co., Ltd. * (上海七星商貿有限公司)	Sui Yuwei
Shanghai Seven Star Electronic Commence Co., Ltd. * (上海七星電子商務有限公司)	Chen Xiaoyan
Shanghai D-kela Jewelleries Co., Ltd. * (上海蒂可拉珠寶有限公司)	Sui Yuwei
Shanghai Seven Star Marketing Co., Ltd. * (上海七星營銷有限公司)	Sui Yuwei
Shanghai Shenmin Bio-technology Co., Ltd. * (上海盛民生物科技有限公司)	Sui Yuwei
Shanghai Seven Star Advertising Co., Ltd. * (上海七星廣告有限公司)	Sui Yuwei
Shanghai Seven Star Kangrui Trading Co., Ltd. * (上海七星康銳貿易有限公司)	Sui Yuwei
Shanghai Jiuhou Trading Co., Ltd. * (上海玖昊商貿有限公司)	Sui Yuwei
Shanghai Yujie Trading Co., Ltd. * (上海予捷貿易有限公司)	Li Rongfen
Shanghai Seven Star Qiangguan Investment Management Co., Ltd. * (上海七星強冠投資管理有限公司)	Chen Xiaoyan
	Ni Xinguang,
	Lin Wei and Xu Jiashu
Shanghai Seven Star New Energy Investment Company Limited* (上海七星新能源投資有限公司)	Chen Xiaoyan

* For identification purposes only

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OF ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

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

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Name of Director	Number of ordinary shares held		Total	Percentage of the issued share capital (Note (b))
	Personal interests	Corporate interests		
Ni Xinguang ("Mr. Ni")	46,068,000	416,004,000 (Note (a))	462,072,000	1.60%

Notes:

- (a) 416,004,000 shares were owned by Group First Limited, a private company wholly owned by Mr. Ni, representing approximately 1.44% of the issued share capital of the Company. By virtue of the SFO, Mr. Ni is deemed to have interest of the shares held by Group First Limited.
- (b) The percentage was calculated based on the total number of 28,927,291,250 ordinary shares of the Company in issue as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2015, none of the Directors or chief executive of the Company, had any short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered during the year or subsisting at the end of the year are set out below:

Share Options

The Company adopted a new share option scheme on 9 December 2013 (the "2013 Share Option Scheme") to replace the share option scheme adopted on 28 May 2004 (the "2004 Share Option Scheme"). Since then, no further option can be granted under the 2004 Share Option Scheme, but all options granted previously will remain exercisable in accordance with the terms of the 2004 Share Option Scheme and the relevant letters of offers to the respective grantees.

Movements of the options, which were granted under the 2004 Share Option Scheme, during the year were listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Number of option shares held as at 01/01/2015	Number of option shares granted during the year	Number of option shares exercised during the year	Number of option shares lapsed during the year	Number of option shares held as at 31/12/2015	Exercise price HK\$	Exercise period
Consultants	30/04/2007	48,960	-	-	(48,960)	-	6.03	30/04/2008-29/04/2015
	30/04/2009	1,428,000	-	-	-	1,428,000	0.49	05/05/2010-04/05/2017
		1,476,960	-	-	(48,960)	1,428,000		

Movements of the options, which were granted under the 2013 Share Option Scheme, during the year were listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Number of option shares held as at 01/01/2015	Number of option shares granted during the year	Number of option shares exercised during the year	Number of option shares lapsed during the year	Number of option shares held as at 31/12/2015	Exercise price HK\$	Exercise period
Consultants	04/11/2014	87,840,000	-	87,840,000	-	-	0.17	04/11/2014-03/11/2017
Employees	04/11/2014	131,760,000	-	131,760,000	-	-	0.17	04/11/2014-03/11/2017
		219,600,000	-	219,600,000	-	-		

REPORT OF THE DIRECTORS

Details of the 2013 Share Option Scheme are listed below in accordance with Rule 17.09 of the Listing Rules:

Purpose of the 2013 Share Option Scheme:

The purpose of the 2013 Share Option Scheme is to enable the Company to grant options (the "Options") to selected Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to the Group or any entity in which the Group holds an equity interest (an "Invested Entity"). The Company considers that the Invested Entity may contribute to the Group's profits. The Company also considers that the granting of the Options to the employees, directors, officers or consultants of the Invested Entity would provide an incentive for their contribution to the Invested Entity which indirectly benefits the Group.

Eligible Participants (each, an "Eligible Participant", and collectively, the "Eligible Participants"):

Any full time or part time employees of the Group or any Invested Entity (including any directors, whether executive or non-executive and whether independent or not, of the Company or any Subsidiary or any Invested Entity); any holder of any securities issued by the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sublicensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any Invested Entity or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity.

Maximum entitlement of each Eligible Participant:

The total number of shares issued and to be issued upon exercise of the Options granted to each Eligible Participant or grantee (including exercised and outstanding Options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the shares in issue. Where it is proposed that any offer is to be made to an Eligible Participant (or where appropriate, an existing grantee) which would result in the shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the twelve (12)-month period up to and including the relevant date of grant to exceed such limit, such offer and any acceptance thereof must be conditional upon shareholders' approval in general meeting with such Eligible Participant (or where appropriate, an existing grantee) and his, her or its associates abstaining from voting.

REPORT OF THE DIRECTORS

The amount payable on application or acceptance of the Option and the period within which payments or calls must be made or loans for such purposes must be paid: HK\$1.00 is to be paid by each grantee as consideration for the grant of Option within 21 days from the date of offer.

Remaining life of the 2013 Share Option Scheme: The 2013 Share Option Scheme shall be valid and effective for the period commencing from 9 December 2013 and expiring at the close of business on its tenth (10th) anniversary i.e. 9 December 2023.

Details of the Options granted pursuant to the 2013 Share Option Scheme are as follows:

Date of grant: 4 November 2014 (the "Grant Date").

Exercise price of Options granted: HK\$0.170 per share, which represents the higher of (i) the closing price of HK\$0.170 per share as stated in the Stock Exchange's daily quotations sheet on the Grant Date; and (ii) the average closing price of approximately HK\$0.165 per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Grant Date.

Number of Options granted: 219,600,000 (representing 0.76% of the issued shares of the Company as at the date of this report).

Validity period of the Options: From 4 November 2014 to 3 November 2017 (three (3) years), both dates inclusive.

Further details of share options were stipulated in note 28 to the consolidated financial statements.

Apart from the aforesaid, at no time during the year ended 31 December 2015 was the Company or any of its subsidiaries or its fellow subsidiaries, or its parent company or its other associated corporations a party to any arrangement to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

REPORT OF THE DIRECTORS

Placing and Subscription

On 22 April 2015, the Company, Group First Limited ("Group First") and a placing agent entered into a placing and subscription agreement, pursuant to which Group First agreed to place and the placing agent agreed to procure not less than six placees to purchase 83,360,000 ordinary shares at a placing price of HK\$0.6 per share from Group First, and Group First agreed to subscribe new shares equivalent to the number of placing shares of 83,360,000 ordinary shares at a subscription price equivalent to the placing price of HK\$0.6 per share from the Company. The placing and subscription was completed on 5 May 2015, and net proceeds of approximately HK\$48,706,000 were credited to the Company's share capital.

The closing price per ordinary share as quoted on the Stock Exchange on 22 April 2015, being the date of the placing agreement, was HK\$0.67. The net price for each placing share was approximately HK\$0.58.

The Board considered that the placing and subscription represented good opportunities to raise additional funds for the Company while broadening the shareholder and capital base of the Company.

Details of the above was published in the Company's announcement dated 29 April 2015.

Subscription

On 18 June 2015, CMI Financial Holding Corporation ("CMI"), D.E. Shaw Composite Portfolios, L.L.C., Union Sky Holding Group Limited and Mr. Xu Xiang (collectively, the "Other Investors") (by way of deed of accessions) entered into the subscription agreement with the Company pursuant to which CMI and Other Investors have conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, a total of 26,316,000,000 subscription shares at an issue price of HK\$0.19 per subscription share in an aggregate amount of HK\$5,000,040,000. The gross proceeds from the share subscription amounted to HK\$5,000,040,000.

The Group plans to use both YGD Securities (HK) Limited and Yuan Asset Management Limited (the acquisitions of which were discussed in the section of Management Discussion and Analysis) as its initial platforms in establishing its financial services and related businesses. In an effort to further implement this strategy, the Directors were of the view that the Company would be able to exploit businesses and investment opportunities upon completion of the subscription and with the benefit of the experience of CMI and the Other Investors, the Group would be in a better position to assess and evaluate the commercial viability of the business opportunities, to source and identify new business development and diversification opportunities, and to capture and undertake those opportunities.

The closing price per ordinary share as quoted on the Stock Exchange on the last trading day before the subscription was HK\$1.88 per share. The net price of the subscription share was approximately HK\$0.1898 per share.

The subscription was completed on 11 December 2015. An aggregate of 26,316,000,000 ordinary shares were issued and allotted. The net proceeds after deduction of relevant expenses (including but not limited to the professional fees and disbursements) were approximately HK\$4,993,552,000.

Details of the above was published in the Company's announcement and circular dated 27 August 2015 and 26 October 2015.

REPORT OF THE DIRECTORS

The equity fund raising activities conducted by the Company for the year ended 31 December 2015 are set out below:

Event and net proceeds (approximate)	Intended use of proceeds	Amount of intended use of proceeds	Actual and committed use of proceeds as at 30 March 2016
Placing and subscription of new shares Net proceeds = HK\$48.7 million	Acquisition of 10% equity interests in a company principally engaged in the real estate business in the PRC and the remaining balance applied to develop a solar power business	HK\$48.7 million	Approximately HK\$28 million was used for acquiring the Targets. The remaining proceeds had been used up as working capital
The subscription for the 26,316,000,000 new shares by CMI and Other Investors Net proceeds = HK\$4,994 million	To provide funding for clients under the Securities Margin Business	HK\$550 million	HK\$330 million has been injected into the CM Securities (Hongkong) Company Limited ("CM Securities") as issued capital for the purpose of the Securities and Futures Ordinance (Financial Resources) Rules.
	Facilitate dealing and settlement requirements for sales and trading	HK\$300 million	–
	Upgrading of IT system	HK\$40 million	–
	Recruitment of traders and new staff etc	HK\$70 million	Approximately HK\$1.3 million has been used.
			The Group has agreed under legally binding contracts to pay a total of approximately HK\$13 million in the next 12 months.

REPORT OF THE DIRECTORS

Event and net proceeds (approximate)	Intended use of proceeds	Amount of intended use of proceeds	Actual and committed use of proceeds as at 30 March 2016
	Rental and refurbishment of office	HK\$40 million	HK\$1.6 million has been used. The Group has agreed under legally binding contracts to pay a total of HK\$19 million in the next 12 months.
	Development of loan financing business	HK\$250 million	HK\$250 million has been set aside. Since Closing, a total of HK\$210 million has been lent to customers under the loan financing business ⁽¹⁾
	Expansion of asset management business	HK\$125 million	HK\$5 million has been injected into the CM Asset Management (Hongkong) Company Limited ("CMAM") as issued capital for the purpose of the Securities and Futures Ordinance (Financial Resources) Rules
	Expansion of other lines of investment banking business	HK\$125 million	–
	Strategic investments and acquisitions etc	HK\$1.5 billion to HK\$2 billion	–
	Establishment of principal trading	HK\$750 million to HK\$1.25 billion	HK\$318 million has been used ⁽²⁾
	General working capital	HK\$750 million	–

Notes:

- (1) Out of the HK\$210 million that has been lent, HK\$27 million has been repaid by the borrower upon the maturity of the relevant facility.
- (2) Out of the HK\$318 million that has been used for principal trading, HK\$35 million of investments has been disposed.

REPORT OF THE DIRECTORS

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

DIRECTORS' MATERIALS INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Apart from the particulars disclosed in note 33 under the heading "Related Party Transactions" to the consolidated financial statements, there were no transaction, arrangement and contract of significance in relation to the Group's business to which the Company's holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 33 to the consolidated financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the highest paid individuals of the Group are set out in notes 13 and 14 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2015, so far as was known to the Directors of the Company, the following persons, other than the Directors and chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company, which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Percentage of the issued share capital (Note (d))
China Minsheng Investment Corporation Ltd.	Interests of a controlled corporation (Note (a))	20,418,000,000	70.58%
CMI Financial Holding Company Limited	Beneficial owner (Note (a))	20,418,000,000	70.58%
Minsheng (Shanghai) Assets Management Company Limited	Interests of a controlled corporation (Note (a))	20,418,000,000	70.58%
D. E. Shaw & Co. (Asia Pacific) Limited	Investment Manager (Note (b))	2,342,000,000	8.10%
D. E. Shaw & Co. II, Inc.	Interests of a controlled corporation (Note (b))	2,342,000,000	8.10%
D. E. Shaw & Co., Inc.	Interests of a controlled corporation (Note (b))	2,342,000,000	8.10%
D. E. Shaw & Co., L.L.C.	Interests of a controlled corporation (Note (b))	2,342,000,000	8.10%
D. E. Shaw & Co., L.P.	Interests of a controlled corporation (Note (b))	2,342,000,000	8.10%
D. E. Shaw Composite Portfolios L.L.C.	Interests of a controlled corporation (Note (b))	2,342,000,000	8.10%
David Elliot Shaw	Interests of a controlled corporation (Note (b))	2,342,000,000	8.10%
Wanzaixingjun Investment Centre (Limited Partnership)	Beneficial owner (Note (c))	2,118,000,000	7.32%
Yan Mengxiang	Investment Manager (Note (c))	2,118,000,000	7.32%

- (a) The shares of the Company are held by CMI Financial Holding Company Limited, which is wholly owned by Minsheng (Shanghai) Assets Management Company Limited. Minsheng (Shanghai) Assets Management Company Limited is wholly owned by China Minsheng Investment Corporation Limited.

REPORT OF THE DIRECTORS

- (b) Such long position includes derivative interests in 2,342,000,000 shares issued pursuant to the subscription agreement. The interests in shares represent the shares issued pursuant to the subscription agreement held by D. E. Shaw Composite Portfolios, L.L.C., which is controlled by D. E. Shaw & Co., L.L.C., which is controlled by D. E. Shaw & Co. II, Inc., which in turn is wholly-owned by Dr. David Elliot Shaw, who controls D. E. Shaw & Co., Inc., which controls D. E. Shaw & Co., L.P., which in turn controlled D. E. Shaw & Co. (Asia Pacific) Limited. All of these companies and Dr. David Elliot Shaw are deemed under the SFO to be interested in such shares.
- (c) Yan Mengxiang is deemed to be interested in the 2,118,000,000 shares as it holds 49% of the issued share capital of Wanzaixingjun Investment Centre (Limited Partnership).
- (d) The percentage has been calculated based on the total number of 28,927,291,250 ordinary shares of the Company in issue as at 31 December 2015.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 31 December 2015, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections "Share Options" and "Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company of Any Specified Undertaking of the Company or Any Other Associated Corporation" above, at no time during the year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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.

RETIREMENT BENEFITS

The Group did not operate any retirement scheme up to 30 November 2000. With effect from 1 December 2000, MPF Scheme has been set up for employees, including executive Directors of the Company, in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"). Under the MPF Scheme, the Group's contributions are at 5% of employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,500 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme from 31 December 2000. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group's contributions to the MPF Scheme and PRC pension scheme for PRC staff charged to the consolidated statement of profit or loss during the year amounted to approximately HK\$111,000 (2014: HK\$70,000) and HK\$1,518,000 (2014: HK\$675,000) respectively.

REPORT OF THE DIRECTORS

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective close associates (as defined under the Listing Rules) had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year and up to the date of this report.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the remuneration committee of the Company on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to market competitiveness, individual performance and achievement.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 28 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

	2015	2014
The largest customer	95.7%	69.0%
Five largest customers in aggregate	99.6%	96.0%
The largest supplier	95.6%	56.9%
Five largest suppliers in aggregate	97.9%	92.1%

At no time during the year, none of the Directors, their close associates or shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in the customers or suppliers disclosed above.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors throughout the year ended 31 December 2015, there was a sufficiency of public float the Company's securities as required under the Listing Rules.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises Mr. Chen Johnny (Chairman), Mr. Lyu Wei and Mr. Ni Xinguang. The Audit Committee has reviewed and discussed with the management and the external auditors financial reporting matters including the annual results for the year ended 31 December 2015.

By order of the Board
China Minsheng Financial Holding Corporation Limited
Zhang Sheng
Chairman

Hong Kong, 30 March 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules on the Stock Exchange.

Throughout the year ended 31 December 2015, the Company has complied with most of the Code Provisions of the CG Code, save for the deviation of the Code Provisions A.4.1, E.1.2 and A.6.7 which are explained below.

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Except Mr. Lyu Wei and Mr. Ling Yu Zhang, as the independent non-executive Directors (the "INEDs") and Mr. Ni Xinguang, as the non-executive Director, all the non-executive Directors (the "NEDs") and the remaining INEDs are appointed for a specific term of three years. Although Mr. Lyu Wei, Mr. Ling Yu Zhang and Mr. Ni Xinguang are not appointed for a specific term, the Company believes that as all Directors are subject to retirement by rotation and re-election at the annual general meeting at least once for every three years pursuant to the Articles, such practice meets the same objective and is no less exacting than those prescribed under Code Provision A.4.1.

Under the Code Provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In addition, under the Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. During the year ended 31 December 2015, the annual general meeting held on 5 June 2015, the whole Board of Directors and auditor of the Company have attended the meeting to answer questions of the shareholders except that Mr. Tu Baogui, Mr. Lyu Wei and Mr. Ling Yu Zhang could not attend the annual general meeting due to other business engagement but they have appointed the other attending Directors as their representative at the meeting to answer questions of the shareholders of the Company.

BOARD OF DIRECTORS

Functions and role

The Board has overall responsibility in formulating the strategic development of the Group, monitoring and controlling the Company's operation and financial performance. All the appointed Directors are subject to rotation for re-appointment at the annual general meeting, and each of the Directors is subject to retirement by rotation at least once every three years. Appropriate and sufficient information was provided to each of the Directors to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Company.

The INEDs are expressly identified in all corporate communications such as circular, announcement or relevant corporate communications in which the names of Directors are disclosed. Each of the INEDs has filed an annual confirmation to the Company confirming their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all INEDs meet the independent guideline set out in Rule 3.13 of the Listing Rules and are independent.

To the best knowledge of the Company, there is no financial, business, family relationship among the members of the Board as at 31 December 2015. All of them are free to exercise their individual judgment.

CORPORATE GOVERNANCE REPORT

Composition

As at the date of this Report, the Board comprises ten Directors, of which four are executive Directors, two are NEDs and four are INEDs. One of the four INEDs possesses appropriate professional accounting qualifications and financial management expertise, which complies with the requirement of the Listing Rules. The Directors' respective biographical information is set out in this annual report under the heading "Directors' Profiles" and the names of current Directors on Board and their positions are as follows:

Name of Directors	Position
<i>Executive Directors</i>	
Mr. Liu Tianlin (appointed on 11 December 2015)	Vice Chairman
Mr. Wang Sing (appointed on 17 February 2016)	Chief Executive Officer
Ms. Feng Xiaoying (appointed on 11 December 2015)	Deputy Chief Executive Officer
Mr. Zhao Hongbo (appointed on 11 December 2015)	
Ms. Chen Xiaoyan (resigned on 11 December 2015)	
<i>Non-executive Directors</i>	
Mr. Zhang Sheng (appointed on 11 December 2015)	Chairman
Mr. Ni Xinguang (re-designated as a Non-executive Director on 11 December 2015)	
Mr. Tu Baogui (resigned on 11 December 2015)	
<i>Independent Non-executive Directors</i>	
Mr. Chen Johnny (appointed on 11 December 2015)	
Mr. Lyu Wei	
Mr. Ling Yu Zhang	
Mr. Wong Chak Keung (resigned on 11 December 2015)	
Mr. Thaddeus Thomas Beczak (appointed on 20 February 2016)	

The Board held twelve Board meetings (including four regular Board meetings) during the financial year ended 31 December 2015. Appropriate and sufficient information was provided to the Board in a timely manner for their review before the meetings. Attendance of individual Directors at Board meetings is set out in the section of "Attendance of Board Meetings, Audit Committee Meetings, Nomination Committee Meetings, Remuneration Committee Meetings and Annual General Meeting in 2015".

Chairman and Chief Executive Officer

The positions and roles of Chairman of the Board and Chief Executive Officer of the Company are held and performed separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Zhang Sheng, the Chairman of the Company, is responsible for the leadership of the Board, and oversees the business development of the Company and its subsidiaries including strategic and corporate development. During the year ended 31 December 2015, Mr. Chen Fenfei, a director of a subsidiary of the Company, stepped down from his role as the Chief Executive Officer of the Company and Mr. Liu Tianlin, has been appointed to replaced Mr. Chen Fenfei as the Chief Executive Officer of the Company on 11 December 2015. Mr. Liu Tianlin, the Chief Executive Officer of the Company, is responsible for the management of day-to-day operation of the Group. Mr. Wang Sing was subsequently appointed as Chief Executive Officer of the Company on 17 February 2016 in replacement of Mr. Liu Tianlin.

CORPORATE GOVERNANCE REPORT

Board Practices

The Board, led by the Chairman, is responsible for overall management of the Company's business, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the support of executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. Twelve Board meetings (including four regular Board meetings) were held during the year for facilitating the function of the Board. The Board believes that the Board meetings held during the financial year were adequate to cover all major issues during the year. In any event all Directors were available for consultation by management from time to time during the year.

The Board also reserves for its decisions on all major matters of the Company, including: the approval and monitoring of major policy matters, overall strategies and annual budgets and business plans, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information and other significant financial and operational matters.

Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Chief Executive Officer, working with the management team, is responsible for managing the businesses of the Group including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group. All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group. Apart from the regular Board meetings, the Chairman may hold meetings with the INEDs without the presence of executive Directors.

In order to ensure that the Board is able to fulfill its responsibilities, the Board has established and delegated specific responsibilities to the Audit Committee, Nomination Committee and Remuneration Committee. The details of the committees are stipulated on pages 33 to 36 of this report.

Sufficient formal notice of every regular Board meeting is given to all Directors to give them the opportunity to attend. Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information on the Group and are able to seek independent professional advice whenever deemed necessary. The Company Secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings. Draft and final versions of Board minutes have sent to all Directors for their comment and records respectively within a reasonable time after the board meeting.

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

CORPORATE GOVERNANCE REPORT

The Company Secretary, Mr. Wong Choi Chak, was appointed on 30 May 2015. He is responsible to the Board for ensuring that Board procedures are followed and that the Board is fully briefed on all legislative, regulatory and corporate governance developments and has regarded to them when making decisions. The Company Secretary is also responsible for advising the Board on the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations. During the year ended 31 December 2015, Mr. Wong Choi Chak undertook not less than 15 hours of professional training to update his skills and knowledge.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors, including NEDs and INEDs, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and update all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and to enhance their awareness of good corporate governance practices.

During the year ended 31 December 2015, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

Name of Directors	Attended Seminars or Briefing/Read Materials
<i>Executive Directors</i>	
Chen Xiaoyan (resigned on 11 December 2015)	✓
Liu Tianlin (appointed on 11 December 2015)	✓
Feng Xiaoying (appointed on 11 December 2015)	✓
Zhao Hongbo (appointed on 11 December 2015)	✓
<i>Non-executive Directors</i>	
Zhang Sheng (appointed on 11 December 2015)	✓
Ni Xinguang (re-designated as a Non-executive Director on 11 December 2015)	✓
Tu Baogui (resigned on 11 December 2015)	✓
<i>Independent Non-executive Directors</i>	
Chen Johnny (appointed on 11 December 2015)	✓
Lyu Wei	✓
Ling Yu Zhang	✓
Wong Chak Keung (resigned on 11 December 2015)	✓

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company for each financial period which gives a true and fair view of the financial position of the Group and financial performance and cash flows for that period and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. With the assistance of the Company Secretary of the Company, the Directors also ensure the publication of the financial statements of the Group in a timely manner.

The report of the external auditor of the Company, RSM Hong Kong, with regard to their reporting responsibilities on the Company's consolidated financial statements is set out in the Independent Auditor's Report on pages 46 and 47 of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. All the Directors of the Board have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2015.

AUDIT COMMITTEE

Composition

The Company established an Audit Committee in 1999. It has written terms of reference in compliance with the CG Code. The Audit Committee consists of two INEDs and one NED, namely Mr. Chen Johnny (Chairman), Mr. Lyu Wei and Mr. Ni Xinguang respectively. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The Audit Committee meets twice a year on a half year basis, or more frequently if required.

Functions and Role

The primary functions of the Audit Committee are, inter alia, to assist the Board in fulfilling its overseeing responsibilities with respect to maintaining appropriate relationship with external auditors, and, to review the annual and interim report and other financial information provided by the Company to its shareholders, the public and other matters within the scope of the terms of reference. On 30 December 2015, the Board adopted a set of the revised terms of reference of the Audit Committee in line with the newly Listing Rules requirement in relation to the amendments to the corporate governance code and corporate governance report effective from 1 January 2016. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

In discharging its responsibilities, the Audit Committee performed the following work during the year of 2015:

- (i) reviewed the effectiveness of audit process in accordance with applicable standards;
- (ii) reviewed the financial statements and reports and the change in accounting principles and policies and assessment of potential impacts on the Group's financial statements;
- (iii) reviewed the Group's risk management and internal control systems and discussed the relevant issues including financial, operational and compliance controls; and
- (iv) reviewed the external auditor's management letter and ensure the Board will provide a timely response to the issues raised therein.

During the year ended 31 December 2015, three Audit Committee meetings were held and the record of attendance of individual member is listed out on page 37 of this annual report.

NOMINATION COMMITTEE

Composition

The Nomination Committee has been established with a defined terms of reference in consistent with the CG Code on 30 March 2012. The Nomination Committee consists of one NED and two INEDs, namely Mr. Zhang Sheng (Chairman), Mr. Lyu Wei and Mr. Ling Yu Zhang (who resign as member of Nomination Committee on 20 February 2016) respectively. Mr. Thaddeus Thomas Beczak was appoint as member of Nomination Committee on 20 February 2016. The Nomination Committee meets at least once a year.

Functions and Role

The primary duties of the Nomination Committee are, inter alia, reviewing the structure, size and composition of the Board, making recommendations to the Board on Board succession, identifying individuals suitably qualified to become Board members and assessing the independence of INEDs. On 24 September 2013, the Board adopted a set of the revised terms of reference of the Nomination Committee in line with the newly Listing Rules requirement in relation to board diversity effective from 1 September 2013. The revised terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

The Nomination Committee is responsible for making recommendations to the Board on nomination and appointment of Directors and Board succession, with a view to appoint to the Board individuals with suitable experience and capabilities to maintain and improve the competitiveness of the Company.

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, past experience, qualifications, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an INED, the Board Diversity Policy, the Company's needs and other relevant statutory requirements and regulations. During the year ended 31 December 2015, Ms. Chen Xiaoyan has resigned as an executive Director. Mr. Chen Fenfei has been appointed as the President (China Region) of the Company and ceased to act as the Chief Executive Officer of the Company. Mr. Liu Tianlin, Ms. Feng Xiaoying and Mr. Zhao Hongbo have been newly appointed as executive Directors. Mr. Liu Tianlin has been appointed as the Vice Chairman of the Board and Chief Executive Officer of the Company; Ms. Feng Xiaoying has been appointed as the Deputy Chief Executive Officer of the Company. Mr. Zhao Hongbo has been appointed as the Head of Legal and Compliance of the Company.

CORPORATE GOVERNANCE REPORT

Mr. Tu Baogui has resigned as a non-executive Director. Mr. Zhang Sheng has been newly appointed as a non-executive Director and Chairman and Mr. Ni Xinguang has been re-designated from an executive Director to a non-executive Director and ceased to act as Chairman of the Board.

Mr. Wong Chak Keung has resigned as an independent non-executive Director. Mr. Chen Johnny has been newly appointed as an independent non-executive Director.

During the year ended 31 December 2015, two Nomination Committee meetings were held for, inter alia, considering the retirement and re-election of the Directors at the annual general meeting, the appointment of Mr. Liu Tianlin, Ms. Feng Xiaoying and Mr. Zhao Hongbo as executive Directors, the appointment of Mr. Zhang Sheng as a non-executive Director, the re-designation of Mr. Ni Xinguang from an executive Director to a non-executive Director, the appointment of Mr. Chen Johnny as an independent non-executive Director and the appointment of Mr. Liu Tianlin and Ms. Feng Xiaoying as a Chief Executive Officer of the Company and Deputy Chief Executive Officer of the Company respectively. The record of attendance of individual member is listed out on page 37 of this annual report. On 16 February 2016 and 19 February 2016, another two nomination committee meetings were also held for considering the appointment of Mr. Wang Sing as the Chief Executive Officer and Executive Director of the Company, and appointment of Mr. Thaddeus Thomas Beczak as an independent non-executive Director of the Company, respectively.

REMUNERATION COMMITTEE

Composition

The Remuneration Committee had been established with written terms of reference in compliance with the CG Code. The Remuneration Committee members consists of two INEDs and one NED, namely Mr. Chen Johnny (Chairman), Mr. Ling Yu Zhang (who has resigned as member of Remuneration Committee on 20 February 2016) and Mr. Ni Xinguang respectively. Mr. Thaddeus Thomas Beczak has been appointed as member of Remuneration Committee on 20 February 2016. The Remuneration Committee meets at least once a year.

Functions and Role

The primary objectives of the Remuneration Committee include determining the remuneration policy, structure and remuneration packages of the Directors and senior management and make recommendations to the Board, and other related matters. The Remuneration Committee is responsible for establishing transparent procedures to develop such remuneration policy and structure which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee are responsible for reviewing the market conditions, time commitment, responsibilities, performance of individuals and any other relevant information and propose to the Board for consideration and approval. None of the executive Directors can determine his own remuneration.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2015, two Remuneration Committee meeting was held to review the existing remuneration policy and structure of Company, to review and recommend the remuneration of executive Directors and senior management for Board approval and to recommend the remuneration of Mr. Liu Tianlin, the newly appointed executive Director and Chief Executive Officer of the Company; Ms. Feng Xiaoying, the newly appointed executive Director and Deputy Chief Executive Officer of the Company; and Mr. Zhao Hongbo, the newly appointed executive Director; Mr. Zhang Sheng, the newly appointed non-executive director and chairman of the Company; Mr. Ni Xinguang, the re-designated non-executive Director; and Mr. Chen Johnny, the newly appointed independent non-executive Director, for Board approval. The record of attendance of individual member is listed out on page 37 of this annual report.

Emolument Policy

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

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement, for the Board approval.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees.

BOARD DIVERSITY POLICY

On 9 July 2013, the Company has adopted a board diversity policy (the "Policy") setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

The Board will consider to set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

During the year ended 31 December 2015, the Nomination Committee has reviewed the Policy to ensure its continued effectiveness.

CORPORATE GOVERNANCE FUNCTION

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board at the Board meeting held on 30 March 2012 and is in compliance with paragraph D3.1 of the CG Code. During the year ended 31 December 2015, the Board has reviewed the policy of the corporate governance of the Company and the corporate governance report.

CORPORATE GOVERNANCE REPORT

ATTENDANCE OF BOARD MEETINGS, AUDIT COMMITTEE MEETINGS, NOMINATION COMMITTEE MEETINGS, REMUNERATION COMMITTEE MEETINGS AND ANNUAL/ EXTRAORDINARY GENERAL MEETING IN 2015

	Attendance/Number of Meetings Held				Annual General Meeting held on 5 June 2015	Extraordinary General Meeting held on 5 June 2015	Extraordinary General Meeting held on 18 November 2015
	Board	Audit Committee	Nomination Committee	Remuneration Committee			
Directors							
<i>Executive Directors:</i>							
Chen Xiaoyan (Note 1)	11/12	N/A	N/A	N/A	1/1	1/1	0/1
Liu Tianlin (Note 2)	1/12	N/A	N/A	N/A	N/A	N/A	N/A
Wang Sing (Note 3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Feng Xiaoying (Note 2)	1/12	N/A	N/A	N/A	N/A	N/A	N/A
Zhao Hongbo (Note 2)	1/12	N/A	N/A	N/A	N/A	N/A	N/A
<i>Non-executive Directors:</i>							
Zhang Sheng (Note 4)	1/12	N/A	N/A	N/A	N/A	N/A	N/A
Ni Xinguang (Note 5)	12/12	0/3	N/A	N/A	1/1	1/1	1/1
Tu Baogui (Note 6)	11/12	N/A	N/A	N/A	0/1	0/1	0/1
<i>Independent Non-executive Directors:</i>							
Chen Johnny (Note 7)	N/A	1/3	N/A	N/A	N/A	N/A	N/A
Lyu Wei	10/12	3/3	2/2	2/2	0/1	0/1	1/1
Wong Chak Keung (Note 8)	10/12	1/3	2/2	2/2	1/1	1/1	0/1
Ling Yu Zhang	11/12	2/3	2/2	2/2	0/1	0/1	0/1
Thaddeus Thomas Beczak (Note 9)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- Ms. Chen Xiaoyan has resigned as the executive Director on 11 December 2015.
- Mr. Liu Tianlin, Ms. Feng Xiaoying and Mr. Zhao Hongbo were appointed as the executive Directors on 11 December 2015.
- Mr. Wang Sing was appointed as an executive Director on 17 February 2016.
- Mr. Zhang Sheng was appointed as the non-executive Director on 11 December 2015.
- Mr. Ni Xinguang was re-designated from an executive Director to a non-executive Director on 11 December 2015.
- Mr. Tu Baogui has resigned as a non-executive Director on 11 December 2015.
- Mr. Chen Johnny was appointed as an independent non-executive Director on 11 December 2015.
- Mr. Wong Chak Keung has resigned as an independent non-executive Director on 11 December 2015.
- Mr. Thaddeus Thomas Beczak was appointed as an independent non-executive Director on 20 February 2016.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year ended 31 December 2015, the fees paid or payable to external auditor of the Company, RSM Hong Kong were HK\$1,300,000 for statutory audit services rendered and for non-audit services rendered were HK\$678,000 to the Group respectively.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavors to maintain good investor relationship with shareholders and potential investors by way of annual general meeting, publication of interim and annual reports on the websites of the Company and the Stock Exchange, and timely press releases on the Company's website. A Shareholder's Communication Policy was adopted by the Board on 30 March 2012 aiming at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company.

Shareholders are encouraged to attend the annual general meetings for which a notice would be served properly. The Chairman and/or Directors are available to answer questions on the Group's business at the meetings. At general meetings, separate resolutions are proposed on each substantial and separate issue such as the election of individual Directors and re-appointment of auditor.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's registered office at Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

SHAREHOLDERS' RIGHT

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Hong Kong Companies Ordinance and the Articles, an extraordinary general meeting can be convened by a written request signed by Shareholders holding not less than one-twentieth of the paid-up share capital of the Company, stating the objects of the meeting, and deposited at the Company's registered office at Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

Procedures for putting forward Proposals at a General Meeting

A shareholder shall make a written requisition to the Board or the Company Secretary at the Company's registered office at Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester 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.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary at the Company's registered office at Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong or send email to ir@cm-fin.com.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

During the year under review, there was no change in the Company's constitutional documents.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

DIRECTORS' PROFILES

Mr. Zhang Sheng (“Mr. Zhang”), aged 46, was appointed as Chairman and non-executive director of the Company on 11 December 2015. Mr. Zhang obtained his Bachelor degree in Rural Economics from Fujian Agriculture College in 1992 and a Master degree in Law in East China University of Political Science and Law in 1999. Mr. Zhang is currently a vice president and the chief investment officer of China Minsheng Investment Corporation Limited. Prior to his current position, Mr. Zhang worked at China Minsheng Bank, Xiamen United Trust Investment Company Limited (廈門聯合信託投資有限公司), China Agriculture Bank Xiamen Trust Investment Company Limited (中國農業銀行廈門信託投資公司) and China Agriculture Bank.

Mr. Zhang has entered into a service contract with the Company for a term of three years with effect from 11 December 2015, provided that either party may terminate such service contract at any time by giving at least three months' notice in writing. Mr. Zhang is entitled to a remuneration of HK\$600,000 per annum pursuant to the service contract. The remuneration package of Mr. Zhang is determined by the Board with reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark and will be reviewed by the Board on an annual basis.

Save as disclosed above, Mr. Zhang does not held any other positions in the Company or any of its subsidiaries and is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Zhang did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Zhang does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Mr. Liu Tianlin (“Mr. Liu”), aged 42, was appointed as an executive Director and Vice-Chairman of the Company on 11 December 2015, Mr. Liu obtained his Bachelor degree in Economics from the Capital University of Economics and Business in 1998, a Master of Science degree in Investment Management from the Lubin School of Business of the Pace University in 2003 and a Master of Science degree in Accounting from the Lubin School of Business of the Pace University in 2005. Mr. Liu is the senior assistant president (總裁高級助理) of China Minsheng Investment Corporation Limited. Mr. Liu is currently the chief executive officer of CMI Capital. Prior to his current position, Mr. Liu worked at China Minsheng Bank, Citigroup and Standard Chartered Bank. Mr. Liu is a non-executive director of Link Holdings Limited (stock code: 8237).

Mr. Liu has entered into a service contract with the Company for a term of three years with effect from 11 December 2015, provided that either party may terminate such service contract at any time by giving at least three months' notice in writing. Mr. Liu is entitled to a remuneration of HK\$600,000 per annum pursuant to the service contract. The Director's fee for Mr. Liu has been approved by the Board and the Remuneration Committee and will be reviewed by the Board on an annual basis.

Save as disclosed above, Mr. Liu does not held any other positions in the Company or any of its subsidiaries and is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Liu did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Liu does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

DIRECTORS' PROFILES

Mr. Wang Sing ("Mr. Wang"), aged 52, was appointed as an executive Director and Chief Executive Officer of the Company on 17 February 2016. Mr. Wang is currently a Senior Advisor to TPG Growth. From 2006 to 2015, Mr. Wang was a Partner at TPG (previously Texas Pacific Group), a leading global alternative asset firm with over US\$70 billion of assets under management. During this period, Mr. Wang served as a Co-Chairman of TPG Greater China and the Head of TPG Growth North Asia. Prior to joining TPG, Mr. Wang was the Chief Executive Officer and Executive Director of TOM Group Limited (stock code: 2383) from mid-2000 to early 2006, a Chinese-language media and internet conglomerate in Greater China. While at Tom Group, Mr. Wang was selected by Cai Jing Shi Bao (China Business Post — a leading business publication in China) as one of the "Top 10 China IT Business People" in 2003. Subsequently, he won the "Executive Award" in the 2004 DHL/SCMP Hong Kong Business Award and also became a member of the "Young Global Leaders" under the World Economic Forum. With the award of "China Media People 2005" and "China's Venture Capital Award for Outstanding Investor (1998–2008)", Mr. Wang's achievement is further recognized.

Since mid-1993, he spent seven years at Goldman Sachs in both New York and Hong Kong in various positions including Executive Director and the Head of China High Technology in Hong Kong. He was a founding member of Goldman Sachs' Asia private equity team.

Before Goldman Sachs, Mr. Wang was a manager at HSBC Private Equity in Hong Kong and a strategic consultant with McKinsey & Co. in Chicago, USA. In 1991, he founded Amerinvest Group of companies, personal investment companies that focus primarily in real estate, forestry, natural resources and start-up high-tech companies, etc.

Mr. Wang had previously served as an alternate director of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) from mid-1994 to early 2000 and also as a director of China Resources Land Limited (stock code: 1109) (then known as China Resources Beijing Land Limited) from August 1996 to January 1999. Mr. Wang also served as a non-executive director of China Renewable Energy Investment Limited (stock code: 987) from June 2011 to October 2015, and served as a non-executive director of MIE Holdings Corporation (stock code: 1555) from June 2010 to November 2015. He was a member of the Listing Committee of the Stock Exchange of Hong Kong from June 2011 to May 2013. He is also the Chairman of Texas Kang Kai Group of Companies since 2015.

Mr. Wang is a Standing Committee Member of the 11th Yunnan Provincial Committee of the Chinese People's Political Consultative Conference and the Chairman of the Industry Policy Committee of China Venture Capital and Private Equity Association.

Mr. Wang graduated from Yunnan University, China, with a Bachelor of Science degree in Chemistry. He holds a Master of Science degree in Forestry and its Relation to Land Use, a Bachelor of Arts degree in Philosophy, Politics and Economics and an Oxford Master of Arts, all from the University of Oxford, UK.

Mr. Wang has entered into a service contract with the Company for a term of three years, provided that either party may terminate such letter of appointment at any time by giving at least nine months' notice in writing. Mr. Wang is entitled to a gross base remuneration of HK\$6,240,000 per annum pursuant to the service contract. The Director's fee for Mr. Wang has been approved by the Board and will be reviewed by the Board and the Remuneration Committee on an annual basis.

Save as disclosed above, Mr. Wang does not held any other positions in the Company or any of its subsidiaries and is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Wang did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Wang does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

DIRECTORS' PROFILES

Ms. Feng Xiaoying ("Ms. Feng"), aged 36, was appointed as an executive Director and Deputy Chief Executive Officer of the Company on 11 December 2015 and a director of several subsidiaries of the Company. Ms. Feng obtained her Bachelor degree in Management from the School of Economics and Management of the Tsinghua University in 2001. Ms. Feng is a Chartered Professional Accountant of Canada and also a Certified Public Accountant of China. Ms. Feng is currently a managing director and the head of strategic investments of CMI Capital. Prior to her current position, Ms. Feng worked at China Minsheng Bank, Deloitte and PricewaterhouseCoopers. Ms. Feng is a non-executive director of Link Holdings Limited (stock code: 8237).

Ms. Feng has entered into a service contract with the Company for a term of three years, provided that either party may terminate such letter of appointment at any time by giving at least three months' notice in writing. Ms. Feng is entitled to a remuneration of HK\$400,000 per annum pursuant to the service contract. The Director's fee for Ms. Feng has been approved by the Board and will be reviewed by the Board and the Remuneration Committee on an annual basis.

Save as disclosed above, Ms. Feng does not held any other positions in the Company or any of its subsidiaries and is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Ms. Feng did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Feng does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Mr. Zhao Hongbo ("Mr. Zhao"), aged 34, was appointed as an executive Director of the Company on 11 December 2015. Mr. Zhao obtained his Bachelor degree in English from Sichuan International Studies University in 2003, a Master degree in law from Tsinghua Law School in 2005 and a LLM from Cornell Law School in 2009. Mr. Zhao is currently a director of strategic investments of CMI Capital. Prior to his current position, he was a PRC lawyer at Jincheng Tongda & Neal Law Firm. He also passed New York Bar in 2009.

Mr. Zhao has entered into a service contract with the Company for a term of three years with effect from 11 December 2015, provided that either party may terminate such service contract at any time by giving at least three months' notice in writing. Mr. Zhao is entitled to a remuneration of HK\$250,000 per annum pursuant to the service contract. The Director's fee for Mr. Zhao has been approved by the Board and the Remuneration Committee and will be reviewed by the Board on an annual basis.

Save as disclosed above, Mr. Zhao does not held any other positions in the Company or any of its subsidiaries and is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Zhao did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Zhao does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Mr. Johnny Chen ("Mr. Chen"), aged 56, was appointed as an independent non-executive Director on 11 December 2015. Mr. Chen is also the chairman and member of Audit Committee and Remuneration Committee of the Company. Mr. Chen is currently an Adjunct Associate Professor of the Department of Finance and the Department of Management at the Hong Kong University of Science and Technology.

Mr. Chen joined the management of Zurich Insurance Group ("Zurich") in 2005. He worked in Zurich from March 2005 to February 2015 in multiple senior managerial roles in Asia-Pacific region. His last position in Zurich was the chairman of China.

DIRECTORS' PROFILES

Prior to joining Zurich, Mr. Chen was an executive member of the Greater-China Management Board and the operating committee of PricewaterhouseCoopers ("PwC"), as well as a managing partner of PwC's Beijing office.

Mr. Chen holds a Master of Science Degree in Accounting from the University of Rhode Island and a Bachelor Degree of Accounting from the Johnson & Wales University and is a U.S. certified public accountant.

Mr. Chen is currently an independent non-executive director of (1) Alibaba Pictures Group Limited (1060); (2) Stella International Holdings Limited (stock code: 1836), the shares of which are listed on the Main Board of the Stock Exchange; (3) Viva China Holdings Limited (stock code: 8032), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange; and (4) Uni-President China Holdings Ltd. (stock code: 220), the shares of which are listed on the Main Board of the Stock Exchange. From 2005 to January 2014, Mr. Chen was a non-executive director of New China Life Insurance Company Ltd. (stock code: 1336), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Chen has entered into an appointment letter with the Company for a term of three year with effect from 11 December 2015, provided that either party may terminate such appointment letter at any time by giving at least three months' notice in writing. Mr. Chen is entitled to a remuneration of HK\$250,000 per annum. The remuneration package of Mr. Chen is determined by the Board with reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark and will be reviewed by the Board on an annual basis.

Save as disclosed above, Mr. Chen does not held any other positions in the Company or any of its subsidiaries and is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Chen did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Chen does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Mr. Thaddeus Thomas Beczak ("Mr. Beczak"), aged 65, was appointed as an independent non-executive director on 20 February 2016. Mr. Beczak is member of nomination committee and member of remuneration committee of the Company. Mr. Beczak is currently an independent non-executive director of the following listed companies: Phoenix Satellite Television Holdings Limited (stock code: 2008, a company listed on the Stock Exchange), Singapore Exchange Limited (stock code: S68, a company listed on the Singapore Exchange Securities Trading Limited) and Pacific Online Limited (stock code: 543, a company listed on the Stock Exchange).

Mr. Beczak was previously an independent non-executive director of the following listed companies: Advanced Semiconductor Manufacturing Corporation Limited (stock code: 3355, a company listed on the Stock Exchange) and e-Kong Group Limited (stock code: 524, a company listed on the Stock Exchange).

Mr. Beczak was previously the vice chairman of China Renaissance Holdings Limited and chairman of China Renaissance Securities (Hong Kong) Limited. From April 2005 to March 2008, Mr. Beczak was a senior advisor to Nomura International (Hong Kong) Limited and non-executive chairman of Nomura Asia Holding N.V. From September 1997 until December 2003, Mr. Beczak was a director of Kerry Holdings Limited. During this time he also held various board and operating positions within the group. Most recently, he was deputy chairman of SCMP Holdings Limited and publisher of South China Morning Post Publishers Limited. Previously, he had been deputy chairman of ShangriLa Asia Limited, deputy chairman of Kuok Philippines Properties, a director of China World Trade Center Limited and a director of Kerry Properties Limited.

DIRECTORS' PROFILES

From November 1997 until December 2002, Mr. Beczak was chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a member of the Stock Exchange and a member of board of directors of the Stock Exchange from 1998 until 2001. From June 2001 until May 2007, he was a member of the Advisory Committee of the Securities and Futures Commission in Hong Kong. Currently, he is a member of the international advisory committee of the China Securities Regulatory Commission (CSRC).

Prior to joining the Kerry group, Mr. Beczak was a managing director and president of J.P. Morgan Inc., and president of J.P. Morgan Securities Asia from 1990 until 1997. While at J.P. Morgan, Hong Kong, he was a director of the Bank of the Philippine Islands and a committee member of the Hong Kong Association of Banks. He joined J.P. Morgan in 1974. Mr. Beczak has over 30 years of experience in Asia.

Mr. Beczak is a graduate of Georgetown University (B.S.F.S.) and Columbia University (M.B.A.). He is a member of the Board of Advisors of the School of Foreign Service at Georgetown. Mr. Beczak was previously an adjunct professor of the MBA program of the Hong Kong University of Science and Technology from 2010 to 2014.

Mr. Beczak has entered into an appointment letter with the Company for a term of three year with effect from 20 February 2016, provided that either party may terminate such appointment letter at any time by giving at least three months' notice in writing. Mr. Beczak is entitled to a remuneration of HK\$250,000 per annum. The remuneration package of Mr. Beczak is determined by the Board with reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark and will be reviewed by the Board on an annual basis.

Save as disclosed above, Mr. Beczak does not held any other positions in the Company or any of its subsidiaries and is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Beczak did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Beczak does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Mr. Ni Xinguang ("Mr. Ni"), aged 46, was appointed as Chairman and executive Director on 12 March 2004 and a director of several subsidiaries of the Company. Mr. Ni stepped down from his role as Chairman of the Company and was re-designated as a non-executive Director on 11 December 2015. Mr. Ni has extensive experience in the retail, distribution and printing business in the PRC. Further to a Diploma in Education, Mr. Ni also has a Degree of Master of Business Administration from the Nanyang Technological University in the Republic of Singapore.

Mr. Ni entered into a service contract with the Company for a period of two years commencing 1 April 2008 which has expired on 31 March 2011. Mr. Ni has not entered into any new written service contract with the Company but is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Articles. Mr. Ni is entitled to an annual remuneration of HK\$840,000 and RMB84,000 with discretionary bonus payment as determined by the remuneration committee of the Company based on Mr. Ni's and the Company's performance. The remuneration package of Mr. Ni is determined by reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark and will be reviewed by the Board on an annual basis.

Save as disclosed above, Mr. Ni does not held any other positions in the Company or any of its subsidiaries and is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Ni did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Ni does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

DIRECTORS' PROFILES

Mr. Lyu Wei (“Mr. Lyu”), aged 51, was appointed as an independent non-executive Director on 15 June 2005. Mr. Lyu is also the member of nomination committee and members of audit committee of the Company. Mr. Lyu is currently a professor of the Antai College of Economics & Management of Shanghai Jiao Tong University in the PRC. He graduated from the School of Management in Shanghai Fu Dan University with a Ph.D. degree. Mr. Lyu is also a director of Shanghai Guandong Electric Group Co., Ltd. and an independent non-executive director of Shanghai Shibe Hi-Tech Co., Ltd., Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. and China Yongda Automobiles Services Holdings Limited (stock code: 3669), all are companies listed on the Shanghai/Hong Kong Stock Exchange.

Mr. Lyu has not entered into any written service contract with the Company and is not appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Articles. Mr. Lyu is entitled to an annual remuneration of HK\$180,000 without any bonus payment. The remuneration of Mr. Lyu is not covered by any service contract. The remuneration package of Mr. Lyu is determined by reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark and will be reviewed by the Board on an annual basis.

Save as disclosed above, Mr. Lyu does not held any other positions in the Company or any of its subsidiaries and is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Lyu did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Lyu does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Mr. Ling Yu Zhang (“Mr. Ling”), aged 70 was appointed as an independent non-executive Director on 1 September 2011. He graduated from the Department of Mechanical Engineering of Beijing Institute of Technology and is a Senior Economist. Mr. Ling has more than 40 years of experience in the automobile and mechanical industry. Mr. Ling has been appointed as Vice-director of Provincial Machinery and Industry Department in Fujian, Chairman of Fujian Motor Industry Group Company and member of the 9th committee of the Chinese People's Political Consultative Conference in Fujian. Mr. Ling is also a non-independent Director of Fujian Newchoice Pipe Technology Co., Ltd. which is a company listed on the Shenzhen Stock Exchange.

Mr. Ling has not entered into any written service contract with the Company and is not appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Articles. Mr. Ling is entitled to an annual remuneration of HK\$180,000 without any bonus payment. The remuneration of Mr. Ling is not covered by any service contract. The remuneration package of Mr. Ling is determined by reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark and will be reviewed by the Board on an annual basis.

Save as disclosed above, Mr. Ling does not held any other positions in the Company or any of its subsidiaries and is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Ling did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Ling does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA MINSHENG FINANCIAL HOLDING CORPORATION LIMITED (FORMERLY KNOWN AS CHINA SEVEN STAR HOLDINGS LIMITED)

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Minsheng Financial Holding Corporation Limited (the "Company") and its subsidiaries set out on pages 48 to 97, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

RSM Hong Kong

Certified Public Accountants

Hong Kong, 30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Turnover	8	201,091	68,086
Cost of sales and services		(199,256)	(67,238)
Gross profit		1,835	848
Other income	9	910	3,325
Administrative expenses		(32,229)	(36,354)
Other operating expenses		(15,041)	(11,117)
Loss before tax		(44,525)	(43,298)
Income tax (expense)/credit	11	(80)	2,175
Loss for the year	12	(44,605)	(41,123)
Attributable to:			
Owners of the Company		(28,580)	(30,144)
Non-controlling interests		(16,025)	(10,979)
		(44,605)	(41,123)
Loss per share	16		
— Basic		HK(0.72) cent	HK (1.34) cent
— Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Loss for the year	(44,605)	(41,123)
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	836	13
Other comprehensive income for the year, net of tax	836	13
Total comprehensive income for the year	(43,769)	(41,110)
Attributable to:		
Owners of the Company	(39,050)	(36,101)
Non-controlling interests	(4,719)	(5,009)
	(43,769)	(41,110)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Fixed assets	17	1,954	933
Goodwill	18	15,871	–
Other intangible assets	19	500	–
Deposits		1,048	–
Available-for-sale financial assets	21	199	208
		19,572	1,141
Current assets			
Trade receivables	22	18	–
Other receivables, prepayments and deposits		2,486	9,173
Pledged bank deposits	23	299	312
Bank and cash balances	23	5,062,465	29,567
		5,065,268	39,052
Current liabilities			
Trade payables	24	18,966	20,603
Other payables and accruals		26,110	15,637
Current tax liabilities		115	125
		45,191	36,365
Net current assets		5,020,077	2,687
NET ASSETS		5,039,649	3,828
Capital and reserves			
Share capital	25	5,666,290	574,117
Other reserves	27	774,728	797,895
Accumulated losses		(1,147,827)	(1,119,361)
Equity attributable to owners of the Company		5,293,191	252,651
Non-controlling interests		(253,542)	(248,823)
TOTAL EQUITY		5,039,649	3,828

Approved by the Board of Directors on 30 March 2016 and are signed on its behalf by:

Liu Tianlin
Director

Wang Sing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2014	21,983	1,325,205	(1,089,217)	257,971	(243,814)	14,157
Total comprehensive income for the year	–	(5,957)	(30,144)	(36,101)	(5,009)	(41,110)
Transition to no-par value regime on 3 March 2014	533,936	(533,936)	–	–	–	–
Issue of shares on placement and subscription	18,198	–	–	18,198	–	18,198
Recognition of share-based payments	–	12,583	–	12,583	–	12,583
Changes in equity for the year	552,134	(527,310)	(30,144)	(5,320)	(5,009)	(10,329)
At 31 December 2014	574,117	797,895	(1,119,361)	252,651	(248,823)	3,828
At 1 January 2015	574,117	797,895	(1,119,361)	252,651	(248,823)	3,828
Total comprehensive income for the year	–	(10,470)	(28,580)	(39,050)	(4,719)	(43,769)
Issue of shares on placement and subscription (Note 25(a))	5,042,258	–	–	5,042,258	–	5,042,258
Issue of shares under share option scheme (Note 25(b))	49,915	(12,583)	–	37,332	–	37,332
Transfer	–	(114)	114	–	–	–
Changes in equity for the year	5,092,173	(23,167)	(28,466)	5,040,540	(4,719)	5,035,821
At 31 December 2015	5,666,290	774,728	(1,147,827)	5,293,191	(253,542)	5,039,649

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities		
Loss before tax	(44,525)	(43,298)
Adjustments for:		
Interest income	(546)	(607)
Depreciation	436	1,043
Allowance for other receivables	–	457
Allowance for trade receivables	–	1,173
Amortisation of intangible assets	–	70
Equity-settled share-based payments	–	12,583
Fixed assets written off	–	18
Gain on disposals of fixed assets	(83)	–
Impairment loss on fixed assets	–	461
Impairment loss on prepayments and deposits	7,970	367
Inventories written off	–	7,185
Write back of other payables and accruals	–	(1,551)
Operating loss before working capital changes	(36,748)	(22,099)
Increase in trade receivables, and other receivables, prepayments and deposits	(1,060)	(7,116)
Increase/(decrease) in trade payables, and other payables and accruals	9,351	(5,483)
Cash used in operations	(28,457)	(34,698)
Tax paid	(85)	(31)
Net cash used in operating activities	(28,542)	(34,729)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash flows from investing activities			
Acquisition of subsidiaries	29	(18,639)	–
Decrease in pledged bank deposits		–	4,476
Purchases of fixed assets		(224)	–
Proceeds from disposals of fixed assets		141	–
Interest received		546	607
Net cash (used in)/generated from investing activities		(18,176)	5,083
Cash flows from financing activities			
Proceeds from issue of shares and net cash generated from financing activities		5,079,590	18,198
Net Increase/(decrease) in cash and cash equivalents		5,032,872	(11,448)
Effect of foreign exchange rate changes		26	159
Cash and cash equivalents at 1 January		29,567	40,856
Cash and cash equivalents at 31 December		5,062,465	29,567
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		5,062,465	29,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

The Company was incorporated in Hong Kong with limited liability. The address of its registered and business office is Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 20 to the consolidated financial statements.

In the opinion of the directors of the Company, at 31 December 2015, CMI Financial Holding Company Limited, a company incorporated in Hong Kong, is the immediate parent; China Minsheng Investment Corporation Limited, a company incorporated in the People's Republic of China (the "PRC"), is the ultimate parent.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the requirements of the Hong Kong Companies Ordinance (Cap. 622).

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior years.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2015. The Directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS *(Continued)*

(b) New and revised HKFRSs in issue but not yet effective *(Continued)*

List of New and revised HKFRSs in issue but not yet effective that are relevant to the Group

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Listing Rules

The Stock Exchange in April 2015 released revised Appendix 16 of the Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Group's accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any related accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill *(Continued)*

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Fixed assets

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Over the lease term
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Fixed assets (Continued)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Intangible assets

(i) Insurance agency licence

The insurance agency licence is stated at acquisition cost less accumulated amortisation and impairment losses. It is amortised on a straight line basis over its estimated useful life of 5 years.

(ii) Trading right

Trading right held in the Stock Exchange is classified as an intangible asset. Trading right has an indefinite useful life and is carried at cost less accumulated impairment losses. The trading right has no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading right is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trading right will not be amortised until its useful lives are determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

(g) Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments 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 instruments, are measured at cost less impairment losses.

(i) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(l) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Revenue from consultancy services and insurance agency services are recognised when the services are rendered.

Commission income on securities brokerage is recorded in the financial statements based on trade date. Accordingly, only those transactions whose trade date fall within the accounting year have been taken into account.

Interest income is recognised on a time-proportion basis using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits

(i) **Employee leave entitlements**

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) **Pension obligations**

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) **Termination benefits**

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) Share-based payments

The Group issues equity-settled share-based payments to certain employees and consultants.

Equity-settled share-based payments to employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as expense.

(q) Government subsidies

A government subsidy is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the subsidy will be received.

Government subsidies that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits 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 arising on investments in subsidiaries, 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(t) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

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

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Impairment of financial assets *(Continued)*

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For available-for-sale debt securities, 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. In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Consolidation of entity with no equity interest

Although the Group does not own any equity interest in Shanghai Seven Star International Shopping Co., Ltd.[^] (上海七星國際購物有限公司, "Seven Star (Shanghai)"), Seven Star (Shanghai) and its subsidiaries ("Seven Star (Shanghai) Group") are treated as subsidiaries because the Group is able to control the relevant activities of Seven Star (Shanghai) Group as a result of the Structured Contracts (as defined in the announcement of the Company dated 7 September 2006) entered into by the Group.

In summary, the Structured Contracts provide the Group, with among other things:

- the right to receive a service fee from Seven Star (Shanghai) which is equal to its consolidated net profit; and
- the right to control the management, financial and operating policies of Seven Star (Shanghai).

Key sources of estimation uncertainty

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

(a) *Fixed assets and depreciation*

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of fixed assets as at 31 December 2015 was approximately HK\$1,954,000 (2014: HK\$933,000).

(b) *Income taxes*

The Group is subject to income taxes in different jurisdictions. Significant estimates are 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. 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. During the year, income tax of approximately HK\$80,000 (2014: HK\$(2,175,000)) was charged (2014: credited) to profit or loss.

[^] For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. CRITICAL JUDGEMENT AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill as at 31 December 2015 was approximately HK\$15,871,000 (2014: HK\$ Nil). No impairment for goodwill was made for the year ended 31 December 2015 (2014: HK\$Nil).

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2015, impairment loss for bad and doubtful debts amounted to approximately HK\$18,173,000 (2014: HK\$18,994,000).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of respective Group entities such as Renminbi ("RMB"). The director have assessed the impact of foreign currency risk and considered that it is insignificant to the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

The Group has no significant concentration of credit risk.

The credit risk on bank and cash balances and pledged bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk on trade and other receivables is significantly reduced.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 31 December 2015					
Trade payables	18,966	–	–	–	18,966
Other payables and accruals	17,742	–	–	–	17,742
At 31 December 2014					
Trade payables	20,603	–	–	–	20,603
Other payables and accruals	13,273	–	–	–	13,273

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits. Certain bank deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risk. Other bank deposits bear interests at variable interest rates varied with the then prevailing market condition.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments at 31 December

	2015 HK\$'000	2014 HK\$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	5,063,502	30,311
Available-for-sale financial assets	199	208
Financial liabilities:		
Financial liabilities at amortised cost	36,708	33,876

(f) Fair values

Except as disclosed in Note 21 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. 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 stakeholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. The Group's overall objectives, policies and processes for managing capital remains unchanged from prior year.

The Group regards total equity other than non-controlling interests as capital, for management purpose. The amount of capital as at 31 December 2015 amounted to approximately HK\$5,293,191,000 (2014: HK\$252,651,000), in which the Group considers as optimal have considered the projected capital expenditures and the projected investment opportunities.

The only externally imposed capital requirement for the Company to maintain its listing status on the main board of the Stock Exchange is that it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float throughout the year ended 31 December 2015 as required under the Rules Governing the Listing of Securities on the Stock Exchange. As at 31 December 2015, over 25% (2014: over 25%) of the shares were in public hands.

Two subsidiaries of the Company which acquired during the year are regulated by the Hong Kong Securities and Futures Commission (the "SFC") and are required to comply with the minimum capital requirements according to the rules of the SFC. The Company monitors the daily financial status and review internal control of the subsidiaries regularly to ensure the subsidiaries are in compliance with related regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. TURNOVER

An analysis of the Group's turnover for the year is as follows:

	2015 HK\$'000	2014 HK\$'000
Trading of chemical materials	192,358	57,732
Insurance agency service income	8,701	10,354
Commission for securities brokerage	32	—
	201,091	68,086

9. OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Interest income on bank deposits	546	607
Gain on disposals of fixed assets	83	—
Rental income	—	801
PRC tax subsidy	182	314
Write back of other payables and accruals	—	1,551
Sundry income	99	52
	910	3,325

10. SEGMENT INFORMATION

The Group has five (2014: three) reportable segments as follows:

Trading of chemical materials	—	trading of chemical materials in the PRC
Insurance agency	—	provision of insurance agency services in the PRC
Securities brokerage	—	provision of securities brokerage services in Hong Kong
Real estate	—	provision of real estate consultancy services in the PRC
Solar power	—	provision of solar power services in the PRC

In the current year, as the PRC retail and distribution business did not meet the definition of an operating segment in accordance with HKFRS 8 "Operating Segment", its information is not presented.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

10. SEGMENT INFORMATION (Continued)

The Group's other operating segment includes the asset management service business. This segment does not meet any of the quantitative thresholds for determining reportable segments. The information of this operating segment is included in the 'other' column.

Segment profits or losses do not include corporate income, equity-settled share-based payments and corporate expenses.

Segment assets and liabilities of the Group are not reported to the Group's chief operating decision makers regularly. As a result, reportable segment assets and liabilities have not been presented.

Information about reportable segment profit or loss:

	Trading of chemical materials HK\$'000	Insurance agency HK\$'000	Securities brokerage HK\$'000	Real estate HK\$'000	Solar power HK\$'000	Other HK\$'000	Total HK\$'000
Year ended 31 December 2015							
Revenue from external customers	192,358	8,701	32	–	–	–	201,091
Segment profit/(loss)	1,777	(5,061)	(2,050)	(7,902)	(5,668)	(1,271)	(20,175)
Interest revenue	–	6	1	–	–	–	7
Depreciation and amortisation	–	–	67	–	19	44	130
Bad debts/impairment charges	–	–	–	7,880	–	90	7,970

	PRC retail and distribution HK\$'000	Trading of chemical materials HK\$'000	Insurance agency HK\$'000	Other HK\$'000	Total HK\$'000
Year ended 31 December 2014					
Revenue from external customers	–	57,732	10,354	–	68,086
Segment profit/(loss)	(11,881)	556	(7)	–	(11,332)
Interest revenue	63	–	8	–	71
Depreciation and amortisation	4	–	70	–	74
Bad debts/impairment charges	1,534	–	1	–	1,535
Fixed assets written off	12	–	–	–	12
Inventories written off	7,185	–	–	–	7,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

10. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenue and profit or loss:

	2015 HK\$'000	2014 HK\$'000
Revenue		
Total revenue of reportable segments	201,091	68,086
Profit or loss		
Total profit or loss of reportable segments	(20,175)	(11,332)
Unallocated corporate income	721	2,888
Equity-settled share-based payments	–	(12,583)
Unallocated corporate expenses	(25,071)	(22,271)
Consolidated loss before tax	(44,525)	(43,298)

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong	32	–	18,627	10
The PRC except Hong Kong	201,059	68,086	746	923
Consolidated total	201,091	68,086	19,373	933

Revenue from major customers:

	2015 HK\$'000	2014 HK\$'000
Trading of chemical materials segment		
Customer a	192,358	–
Customer b	–	47,010
Customer c	–	10,722

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. INCOME TAX EXPENSE/(CREDIT)

	2015 HK\$'000	2014 HK\$'000
Current tax — the PRC		
Provision for the year	–	108
Under/(over) provision in prior years	80	(2,283)
	80	(2,175)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits in Hong Kong for the year (2014: HK\$Nil).

The provision for PRC Enterprise Income Tax has been provided at the statutory tax rate of 25% (2014: 25%) on the assessable profits of the Company's PRC subsidiaries.

The reconciliation between the income tax expense/(credit) and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2015 HK\$'000	2014 HK\$'000
Loss before tax	(44,525)	(43,298)
Tax at Hong Kong Profits Tax rate of 16.5% (2014: 16.5%)	(7,347)	(7,144)
Tax effect of income that is not taxable	(83)	(85)
Tax effect of expenses that are not deductible	6,467	8,310
Tax effect of temporary differences not recognised	(6,906)	(2,889)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(2,368)	(1,711)
Tax effect of tax losses not recognised	10,250	5,127
Tax effect of utilisation of tax losses not previously recognised	(13)	(1,500)
Under/(over) provision in prior years	80	(2,283)
Income tax expense/(credit)	80	(2,175)

At the end of the reporting period the Group has unused tax losses of approximately HK\$187,577,000 (2014: HK\$222,402,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses of approximately HK\$62,678,000, HK\$11,814,000, HK\$12,603,000, HK\$19,582,000 and HK\$39,413,000 will expire on 31 December 2016, 2017, 2018, 2019 and 2020 respectively. Other tax losses may be carried forward indefinitely. Included in unused tax losses of the Group are losses of approximately HK\$176,114,000 (2014: HK\$210,939,000) that have not yet been agreed by respective tax authorities.

No provision for deferred taxation had been made for both years ended 31 December 2015 and 2014 as the tax effect of all temporary difference is not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2015 HK\$'000	2014 HK\$'000
Allowance for other receivables (included in other operating expenses)	–	457
Allowance for trade receivables (included in other operating expenses)	–	1,173
Amortisation of insurance agency licence (included in other operating expenses)	–	70
Auditor's remuneration	1,300	1,500
Cost of inventories sold	190,564	57,169
Depreciation	436	1,043
Equity-settled share-based payments	–	12,583
Exchange differences, net	43	233
Fixed assets written off	–	18
Gain on disposals of fixed assets	(83)	–
Inventories written off	–	7,185
Impairment loss on fixed assets	–	461
Impairment loss on prepayments and deposits (included in other operating expenses)	7,970	367
Operating lease charges — Land and buildings	3,872	3,103
Penalty	5,113	–
Staff costs (including directors' emoluments)	15,440	17,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2015 HK\$'000	2014 HK\$'000
Employee benefits expense:		
Salaries, bonuses and allowances	13,811	9,011
Equity-settled share-based payments	–	7,550
Retirement benefit scheme contributions	1,629	745
	15,440	17,306

Five highest paid individuals

The five highest paid individuals in the Group during the year included 1 (2014: 1) director whose emoluments are reflected in the analysis presented in Note 14. The emoluments of the remaining 4 (2014: 4) individuals are set out below:

	2015 HK\$'000	2014 HK\$'000
Basic salaries and allowances	3,862	384
Discretionary bonus	251	26
Equity-settled share-based payments	–	5,033
Retirement benefit scheme contributions	134	152
	4,247	5,595

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Nil to HK\$1,000,000	2	–
HK\$1,000,001 to HK\$1,500,000	1	4
HK\$1,500,001 to HK\$2,000,000	1	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

(a) Directors' emoluments

The remuneration of every director is set out below:

Name of director	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	Fees HK\$'000	Salaries HK\$'000	Discretionary bonus HK\$'000	(Note i) Estimated money value of other benefits HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of accepting office as director HK\$'000	Housing allowance HK\$'000		
Mr. Ni Xinguang	84	903	97	–	75	–	–	–	1,159
Ms. Chen Xiaoyan (note (iii))	–	171	–	–	–	–	–	–	171
Mr. Tu Baogui (note (iii))	171	–	–	–	–	–	–	–	171
Mr. Wong Chak Keung (note (iii))	171	–	–	–	–	–	–	–	171
Mr. Liu Tianlin (Chief executive) (note (ii))	34	–	–	–	–	–	–	–	34
Ms. Feng Xiaoying (note (ii))	23	–	–	–	–	–	–	–	23
Mr. Zhao Hongbo (note (ii))	14	–	–	–	–	–	–	–	14
Mr. Chen Johnny (note (ii))	14	–	–	–	–	–	–	–	14
Mr. Zhang Sheng (note (ii))	34	–	–	–	–	–	–	–	34
Mr. Lyu Wei	180	–	–	–	–	–	–	–	180
Mr. Ling Yu Zhang	180	–	–	–	–	–	–	–	180
Total for 2015	905	1,074	97	–	75	–	–	–	2,151
Chief executive									
Mr. Chen Fenfai (note (iii))	–	1,698	–	–	–	–	–	–	1,698
Total for 2015	905	2,772	97	–	75	–	–	–	3,849

Certain comparative information of directors' emoluments for the year ended 31 December 2014 disclosed in accordance with the predecessor Hong Kong Companies Ordinance (Cap. 32) have been restated in order to comply with the scope and requirements of the new Hong Kong Companies Ordinance (Cap. 622).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE (Continued)

(a) Directors' emoluments (Continued)

Name of director	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total HK\$'000
	Fees HK\$'000	Salaries HK\$'000	Discretionary bonus HK\$'000	(Note i) Estimated money value of other benefits HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Remunerations paid or receivable in respect of accepting office as director HK\$'000	Housing allowance HK\$'000			
Mr. Ni Xinguang	-	960	10	484	60	-	-	-	-	1,514
Mr. Tu Baogui	45	900	-	-	-	-	-	-	-	945
Ms. Chen Xiaoyan (note (iv))	-	173	-	-	-	-	-	-	-	173
Mr. Lyu Wei	180	-	-	-	-	-	-	-	-	180
Mr. Ling Yu Zhang	180	-	-	-	-	-	-	-	-	180
Mr. Wong Chak Keung	180	-	-	-	-	-	-	-	-	180
	585	2,033	10	484	60	-	-	-	-	3,172
Chief executive										
Mr. Chen Fenfai (note (v))	-	411	-	-	-	-	-	-	-	411
	585	2,444	10	484	60	-	-	-	-	3,583

Notes:

- (i) Estimated money values of other benefits include rent paid, share options, insurance premium, etc.
- (ii) Appointed on 11 December 2015.
- (iii) Resigned on 11 December 2015.
- (iv) Appointed on 16 January 2014.
- (v) Appointed on 9 October 2014.

Neither the chief executive nor any of the directors waived any emoluments during the year (2014: nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: HK\$Nil).

16. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$28,580,000 (2014: HK\$30,144,000) and the weighted average number of ordinary shares of 3,945,489,000 (2014: 2,243,235,000) in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

17. FIXED ASSETS

	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At 1 January 2014	7,910	5,957	7,102	20,969
Write-off	–	(3,091)	(65)	(3,156)
Exchange differences	(184)	(124)	(172)	(480)
At 31 December 2014 and 1 January 2015	7,726	2,742	6,865	17,333
Additions	187	37	–	224
Acquisition of subsidiaries (note 29)	58	1,258	–	1,316
Write-off/disposals	(7,371)	(1,387)	(297)	(9,055)
Exchange differences	(30)	(76)	(284)	(390)
At 31 December 2015	570	2,574	6,284	9,428
Accumulated depreciation and impairment				
At 1 January 2014	7,816	4,867	5,781	18,464
Charge for the year	94	363	586	1,043
Impairment losses	–	461	–	461
Write-off	–	(3,079)	(59)	(3,138)
Exchange differences	(184)	(103)	(143)	(430)
At 31 December 2014 and 1 January 2015	7,726	2,509	6,165	16,400
Charge for the year	29	272	135	436
Write-off/disposals	(7,371)	(1,329)	(297)	(8,997)
Exchange differences	(30)	(75)	(260)	(365)
At 31 December 2015	354	1,377	5,743	7,474
Carrying amount				
At 31 December 2015	216	1,197	541	1,954
At 31 December 2014	–	233	700	933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2015 HK\$'000	2014 HK\$'000
Securities brokerage:		
CM Securities (Hongkong) Company Limited ("CMS")	10,792	–
Asset management:		
CM Asset Management (Hongkong) Company Limited ("CMAM")	5,079	–
	15,871	–

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3.25%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's securities brokerage business and asset management business are 21.49% and 23.92% respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. OTHER INTANGIBLE ASSETS

	Trading right HK\$'000	Insurance agency licence HK\$'000	Total HK\$'000
Cost			
At 1 January 2014	–	535	535
Exchange differences	–	(13)	(13)
At 31 December 2014 and 1 January 2015	–	522	522
Acquisition of a subsidiary (note 29)	500	–	500
At 31 December 2015	500	522	1,022
Accumulated amortisation			
At 1 January 2014	–	464	464
Amortisation for the year	–	70	70
Exchange differences	–	(12)	(12)
At 31 December 2014 and 31 December 2015	–	522	(522)
Carrying amount			
At 31 December 2015	500	–	500
At 31 December 2014	–	–	–

Insurance agency licence

The Group's insurance agency licence is for its provision of insurance agency services. As at 31 December 2015 and 2014, the insurance agency licence has been fully amortised.

Trading right

The Group's trading right of HK\$500,000 at 31 December 2015 is assessed as having indefinite useful life because there is no expiry date for the right.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2015 are as follows:

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Cheong Wa Limited	Hong Kong, limited liability company	HK\$29,970,106	100%	–	Investment holding
China Seven Star Asset Management Limited	Hong Kong, limited liability company	HK\$2	100%	–	Investment holding
China Seven Star Real Estate Operation Management Limited	Hong Kong, limited liability company	HK\$1	100%	–	Investment holding
Top Pro Limited	The British Virgin Islands, limited liability company	US\$1	100%	–	Investment holding
CMS	Hong Kong, limited liability company	HK\$25,000,000	–	100%	Provision of securities brokerage services
CMAM	Hong Kong, limited liability company	HK\$3,700,000	–	100%	Provision of securities advisory and asset management services
Fuzhou Landun Science of Life Co., Ltd	The PRC, wholly-foreign owned enterprise with limited liability	HK\$100,000,000	–	100%	Investment holding
Seven Star (Shanghai)	The PRC, limited liability company	RMB6,000,000	–	100% (Note)	Investment holding and trading of chemical materials
Seven Star Shopping (China) Co., Ltd. [^] 七星購物(中國)有限公司	The PRC, wholly-foreign owned enterprise with limited liability	RMB360,000,000	–	100%	Investment holding, provision of consultancy services and trading of chemical materials
Seven Star Shopping Limited	Hong Kong, limited liability company	HK\$1	–	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2015 are as follows: (Continued)

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Shanghai Seven Star Electronic Commerce Co., Ltd. ^{^, #} 上海七星電子商務有限公司	The PRC, limited liability company	RMB30,000,000	–	96%	Investment holding
Shanghai Seven Star New Energy Investment Co., Ltd. [^] ("Shanghai New Energy") 上海七星新能源投資有限公司	The PRC, limited liability company	RMB200,000,000*	–	100%	Not yet commence solar power business
Shanghai Seven Star Qiangguan Investment Management Co., Ltd. [^] ("Shanghai Qiangguan") 上海七星強冠投資管理有限公司	The PRC, limited liability company	RMB10,000,000**	–	70%	Not yet commence real estate business
Shanghai Xiangsheng Insurance Agency Co., Ltd. ^{^, ##} ("Xiangsheng Insurance") 上海祥生保險代理有限公司	The PRC, limited liability company	RMB20,000,000	–	96%	Provision of insurance agency services

[^] For identification purposes only

[#] Directly held by Seven Star (Shanghai)

^{##} Indirectly held by Seven Star (Shanghai)

^{*} The registered capital of Shanghai New Energy is RMB200,000,000 and RMB4,000,000 has been paid up as at 31 December 2015.

^{**} The registered capital of Shanghai Qiangguan is RMB10,000,000 and no capital has been paid up as at 31 December 2015.

Note: Although the Group does not own any equity interest in Seven Star (Shanghai), Seven Star (Shanghai) Group are treated as subsidiaries because the Group is able to control the relevant activities of Seven Star (Shanghai) Group as a result of the Structured Contracts (as defined in the announcement of the Company dated 7 September 2006) entered into by the Group.

The above list contains the particular of subsidiaries which principally affected the results, assets or liabilities of the Group. None of the subsidiaries has issued any debt securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. INVESTMENTS IN SUBSIDIARIES (Continued)

The following table shows information of the subsidiaries that have non-controlling interests (“NCI”) material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Seven Star (Shanghai)		Xiangsheng Insurance	
	2015	2014	2015	2014
Principal place of business/ country of registration	PRC/PRC		PRC/PRC	
% of ownership interests/ voting rights held by NCI	100%/0%	100%/0%	100%/0%	100%/0%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December:				
Non-current assets	47,330	49,551	–	–
Current assets	144,013	151,481	20,865	22,969
Non-current liabilities	(440,903)	(457,026)	–	–
Current liabilities	(6,686)	(6,989)	(4,951)	(1,123)
Net liabilities	(256,246)	(262,983)	15,914	21,846
Accumulated NCI	(96,976)	(96,510)	(4,933)	7
Year ended 31 December:				
Revenue	156,789	19,345	8,701	10,354
Profit/(loss)	(4,832)	(8,650)	(5,142)	140
Total comprehensive income	6,738	(2,283)	(5,931)	685
Profit/(loss) allocated to NCI	(4,832)	(8,650)	(5,142)	140
Net cash generated from/(used in) operating activities	(729)	1,074	(1,082)	192
Net cash generated from/(used in) investing activities	63	8	6	8
Effect of foreign exchange rate changes	(31)	(74)	79	(35)
Net increase/(decrease) in cash and cash equivalents	(697)	1,008	(997)	165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK\$'000	2014 HK\$'000
Unlisted equity securities, at cost	199	208
Analysed as:		
Non-current assets	199	208

Unlisted equity securities with carrying amount of approximately HK\$199,000 (2014: HK\$208,000) were carried at cost as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

22. TRADE RECEIVABLES

The general credit term of insurance agency services is normally 30 days. For trading of chemical materials, the Group requires customers to pay in advance. For securities brokerage, the receivables are settled from cash clients and clearing house two business days after trade day.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2015 HK\$'000	2014 HK\$'000
0-90 days	18	-

As at 31 December 2015, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$8,227,000 (2014: HK\$8,598,000).

Reconciliation of allowance for trade receivables:

	2015 HK\$'000	2014 HK\$'000
At 1 January	8,598	16,147
Allowance for the year	-	1,173
Amounts written off	-	(8,371)
Exchange differences	(371)	(351)
At 31 December	8,227	8,598

The carrying amounts of the Group's trade receivables are denominated in RMB. As of 31 December 2015, none of trade receivables was past due but not impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

23. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

At 31 December 2015, the Group's pledged bank deposits included a deposit pledged to a bank of approximately HK\$299,000 (2014: HK\$312,000) as security for a corporate card granted to a non-executive director (2014: executive director) of the Group. The credit limit of the corporate card is approximately HK\$239,000 (2014: HK\$250,000). The deposit is in RMB and bears fixed interest rate of 1.5% (2014: 2.75%) per annum and therefore is subject to fair value interest rate risk.

At 31 December 2015, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK\$7,746,000 (2014: HK\$10,326,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers but certain suppliers would require the Group to pay in advance.

The aging analysis of trade payables, based on date of receipt of goods and services, is as follows:

	2015 HK\$'000	2014 HK\$'000
0-90 days	101	781
91-180 days	-	68
181-365 days	7	61
Over 365 days	18,858	19,693
	18,966	20,603

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. SHARE CAPITAL

	Note	2015		2014	
		Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Ordinary shares, issued and fully paid:					
At 1 January		2,308,331	574,117	2,198,331	21,983
Transition to no-par value regime on 3 March 2014		–	–	–	533,936
Issue of shares on placement and subscription	(a)	26,399,360	5,042,258	110,000	18,198
Issue of shares under share option scheme	(b)	219,600	49,915	–	–
At 31 December		28,927,291	5,666,290	2,308,331	574,117

Notes:

- (a) On 22 April 2015, the Company, Group First Limited ("Group First", a substantial shareholder of the Company before share subscription as mentioned below) and a placing agent entered into a placing and subscription agreement, pursuant to which Group First agreed to place and the placing agent agreed to procure not less than six placees to purchase 83,360,000 shares at a placing price of HK\$0.6 per share from Group First, and Group First agreed to subscribe new shares equivalent to the number of placing shares of 83,360,000 shares at a subscription price equivalent to the placing price of HK\$0.6 per share from the Company. The placing and subscription was completed on 5 May 2015, and net proceeds of approximately HK\$48,706,000 were credited to the Company's share capital.

On 18 June 2015, the Company entered into share subscription agreement with CMI Financial Holding Corporation ("CMI") and other investors, pursuant to which the Company has conditionally agreed to allot and issue 26,316,000,000 shares to CMI and other investors at a subscription price of HK\$0.19 per share. On 11 December 2015, 26,316,000,000 shares were allotted and issued upon completion of share subscription, and net proceeds of approximately HK\$4,993,552,000 were credited to the Company's share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. SHARE CAPITAL (Continued)

Notes: (Continued)

- (b) During the year ended 31 December 2015, 219,600,000 shares of the Company were issued under share option scheme, as follows:

Issue date	Exercise price (HK\$)	Number of shares (‘000)	Net proceeds HK\$‘000
12 May 2015	0.17	21,960	3,733
7 July 2015	0.17	43,920	7,467
7 August 2015	0.17	21,960	3,733
31 August 2015	0.17	21,960	3,733
24 September 2015	0.17	21,960	3,733
5 November 2015	0.17	65,880	11,200
31 December 2015	0.17	21,960	3,733
		<hr/>	<hr/>
		219,600	37,332

Upon exercise of share options, the fair value of the options on the date of grant are transferred from the Company’s share-based payments reserve to the Company’s share capital. During the year ended 31 December 2015, approximately HK\$12,583,000 was credited to the Company’s share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Fixed assets		3	10
Interests in subsidiaries		64,774	10,773
		64,777	10,783
Current assets			
Prepayments and deposits		489	214
Bank and cash balances		5,010,493	18,831
		5,010,982	19,045
Current liabilities			
Other payables and accruals		5,510	1,954
Net current assets			
		5,005,472	17,091
NET ASSETS			
		5,070,249	27,874
Capital and reserves			
Share capital	25	5,666,290	574,117
Other reserves	26(b)	727,255	739,952
Accumulated losses		(1,323,296)	(1,286,195)
TOTAL EQUITY			
		5,070,249	27,874

Approved by the Board of Directors on 30 March 2016 and are signed on its behalf by:

Liu Tianlin
Director

Wang Sing
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium HK\$'000	Share- based payments reserve HK\$'000	Special capital reserve HK\$'000	Total HK\$'000
At 1 January 2014	533,936	670	726,699	1,261,305
Transition to no-par value regime on 3 March 2014	(533,936)	–	–	(533,936)
Recognition of share-based payments	–	12,583	–	12,583
At 31 December 2014	–	13,253	726,699	739,952
At 1 January 2015	–	13,253	726,699	739,952
Issue of shares under share option scheme (Note 25(b))	–	(12,583)	–	(12,583)
Transfer	–	(114)	–	(114)
At 31 December 2015	–	556	726,699	727,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

27. OTHER RESERVES

(a) Reserve movement of the Group

	Share premium HK\$'000	Share- based payments reserve HK\$'000	Special capital reserve HK\$'000	Foreign currency translation reserve HK\$'000	Statutory surplus reserve HK\$'000	Total HK\$'000
At 1 January 2014	533,936	670	726,699	58,038	5,862	1,325,205
Transition to no-par value regime on 3 March 2014	(533,936)	–	–	–	–	(533,936)
Recognition of share-based payments	–	12,583	–	–	–	12,583
Translation differences	–	–	–	(5,957)	–	(5,957)
At 31 December 2014	–	13,253	726,699	52,081	5,862	797,895
At 1 January 2015	–	13,253	726,699	52,081	5,862	797,895
Issue of share under share option scheme (Note 25(b))	–	(12,583)	–	–	–	(12,583)
Transfer	–	(114)	–	–	–	(114)
Translation differences	–	–	–	(10,470)	–	(10,470)
At 31 December 2015	–	556	726,699	41,611	5,862	774,728

(b) Nature and purpose of reserves

(i) *Share-based payments reserve*

The share-based payments reserve represented the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for share-based payments in Note 4(p) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

27. OTHER RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(ii) **Special capital reserve**

The application of the special capital reserve is subject to the court order granted by the High Court of Hong Kong SAR. Pursuant to the High Court Order dated 20 November 2002, as long as the Company shall remain a listed company, the balances shall be treated as an undistributable reserve of the Company provided that (1) the Company shall be at liberty to apply the said special capital reserve for the same purposes as a share premium account may be applied; and (2) the amount standing to the credit of the special capital reserve may be reduced by the amount of any increase, after the effective date, in the paid up share capital or the amount standing to the credit of the share premium account of the Company as a result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits.

(iii) **Foreign currency translation reserve**

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4(c)(iii) to the consolidated financial statements.

(iv) **Statutory surplus reserve**

In accordance with the PRC Company Law and the respective company's articles of association, a subsidiary of the Group established in the PRC, being a wholly foreign owned enterprise, is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), to the statutory surplus reserve. When the balance of the reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. With the approval from the relevant authorities, the statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. The reserve fund cannot be distributed in the form of cash.

28. SHARE OPTIONS

Equity-settled share option scheme

On 9 December 2013, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 28 May 2004 (the "2004 Share Option Scheme") and the adoption of a new share option scheme (the "2013 Share Option Scheme"). The 2013 Share Option Scheme will expire on 8 December 2023.

2013 Share Option Scheme

Under the 2013 Share Option Scheme, the directors of the Company may, at their discretion, grant options to executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular option shall be such price as the board of directors of the Company may in its absolute discretion determine at the time of grant of the relevant option subject to the compliance with the requirements for share option schemes under the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

28. SHARE OPTIONS (Continued)

2013 Share Option Scheme (Continued)

At 31 December 2015, no option was outstanding under the 2013 Share Option Scheme:

2004 Share Option Scheme

The 2004 Share Option Scheme was terminated on 9 December 2013 such that no further option can be granted under the 2004 Share Option Scheme, but all options granted previously will remain exercisable in accordance with the terms of the 2004 Share Option Scheme and the relevant letters of offers to the respective grantees.

At 31 December 2015, the following options to subscribe for shares were outstanding under the 2004 Share Option Scheme:

Date of grant	Exercise price per share HK\$	Number of outstanding options	Exercise period
Consultants (Note) 30 April 2009	0.49	1,428,000	5 May 2010 – 4 May 2017

Note: Options granted to consultants were incentives for them to assist the Group in the expansion of its business network, identifying and acquiring new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share option granted.

Details of the share options outstanding during the year are as follows:

	2015		2014	
	Weighted average exercise price in HK\$ per share	Number of share options	Weighted average exercise price in HK\$ per share	Number of share options
At 1 January	0.173	221,076,960	0.674	1,476,960
Granted during the year	–	–	0.170	219,600,000
Exercised during the year	0.170	(219,600,000)	–	–
Lapsed during the year	6.029	(48,960)	–	–
At 31 December	0.490	1,428,000	0.173	221,076,960
Exercisable at 31 December	0.490	1,428,000	0.173	221,076,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

28. SHARE OPTIONS *(Continued)*

The weighted average share price at the date of exercise for share options exercised during the year was HK\$1.208. The options outstanding at the end of the year have a weighted average remaining contractual life of 1.34 years (2014: 2.84 years) and the exercise price is HK\$0.49 (2014: range from HK\$0.170 to HK\$6.029).

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASHFLOWS

Acquisition of subsidiaries

In September 2015, the Group acquired 100% of the issued share capital of CMS and CMAM for a total consideration of approximately HK\$22,656,000 and HK\$6,130,000 respectively. CMS and CMAM were engaged in provision of securities brokerage services and provision of securities advisory and asset management services during the year respectively. The acquisitions are for the purpose of the Group's strategic move to expand into the financial services sector and related businesses.

The fair value of the identifiable assets and liabilities of CMS and CMAM acquired as at the date of acquisition are as follows:

	CMS HK\$'000	CMAM HK\$'000	Total HK\$'000
Net assets acquired:			
Fixed assets	1,102	214	1,316
Intangible assets	500	–	500
Prepayments and deposits	505	784	1,289
Bank and cash balances	10,046	101	10,147
Other payables and accruals	(289)	(48)	(337)
	11,864	1,051	12,915
Goodwill	10,792	5,079	15,871
	22,656	6,130	28,786
Satisfied by:			
Cash	22,656	6,130	28,786
Net cash outflow arising on acquisition:			
Cash consideration paid			28,786
Cash and cash equivalents acquired			(10,147)
			18,639

Acquisition-related costs of approximately HK\$28,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2015.

The goodwill arising on the acquisition of CMS and CMAM is attributable to the anticipated future operating synergies from the combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASHFLOWS *(Continued)*

Acquisition of subsidiaries *(Continued)*

CMS and CMAM contributed approximately HK\$32,000 and HK\$Nil to the Group's revenue for the year respectively for the period between the date of acquisition and the end of the reporting period. CMS and CMAM contributed approximately HK\$2,048,000 and HK\$1,269,000 to the Group's loss for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2015, total Group revenue for the year would have been approximately HK\$202,823,000, and loss for the year would have been approximately HK\$51,835,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

30. LITIGATION

As at 31 December 2015, five suppliers (the "Plaintiffs") filed petitions to the courts in Shanghai against a subsidiary of the Company for settlement of trade debts of approximately RMB8,431,000 (equivalent to approximately HK\$10,067,000) in aggregate. Up to the date of these financial statements, all hearings (including appeals) had been held and the verdicts were in favor of the Plaintiffs.

As the claimed trade debts have been properly recognised in the consolidated financial statements, the directors believe that these litigations would not have material impact to the Group and the Company.

31. CONTINGENT LIABILITIES

As at 31 December 2015, the Group and the Company did not have any significant contingent liabilities (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

32. OPERATING LEASE COMMITMENTS

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	3,269	4,419
In the second to fifth years inclusive	2,318	15,027
After five years	–	28,250
	5,587	47,696

Operating lease payments represent rentals payable by the Group for certain of its offices and warehouse. Leases are negotiated for terms ranging from one to three years and rentals are fixed over the lease terms and do not include contingent rentals.

33. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2015 HK\$'000	2014 HK\$'000
Rental income from related parties (Note)	–	801

Note: Mr. Ni Xinguang ("Mr. Ni"), a director of the Company has beneficial interests in these related parties.

- (b) The remuneration for directors and other members of key management of the Group during the year is disclosed in Note 14(a) to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Results					
Turnover	201,091	68,086	112,220	616,877	589,621
(Loss)/profit attributable to:					
— Owners of the Company	(28,580)	(30,144)	(1,757)	3,308	(18,992)
— Non-controlling interests	(16,025)	(10,979)	(19,504)	13,957	(87,174)
Assets and liabilities					
Total assets	5,084,840	40,193	61,477	161,542	700,937
Total liabilities	(45,191)	(36,365)	(47,320)	(125,695)	(718,374)
Total equity	5,039,649	3,828	14,157	35,847	(17,437)