

ANNUAL REPORT 2015



中策集團有限公司  
China Strategic Holdings Limited

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 235)



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## Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

“Board”	the Board of Directors of the Company
“Company”	China Strategic Holdings Limited
“Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$” and “HK cents”	Hong Kong dollars and cents
“US\$”	United States dollars
“%”	per cent.

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Dr. Or Ching Fai  
*(Chairman and Chief Executive Officer)*  
 Mr. Sue Ka Lok  
 Ms. Lee Chun Yeung, Catherine  
 Mr. Chow Kam Wah

### Independent Non-executive Directors

Ms. Ma Yin Fan  
 Mr. Chow Yu Chun, Alexander  
 Mr. Leung Hoi Ying

## AUDIT COMMITTEE

Ms. Ma Yin Fan *(Chairman)*  
 Mr. Chow Yu Chun, Alexander  
 Mr. Leung Hoi Ying

## REMUNERATION COMMITTEE

Mr. Chow Yu Chun, Alexander *(Chairman)*  
 Ms. Ma Yin Fan  
 Mr. Leung Hoi Ying

## NOMINATION COMMITTEE

Dr. Or Ching Fai *(Chairman)*  
 Ms. Ma Yin Fan  
 Mr. Leung Hoi Ying

## EXECUTIVE COMMITTEE

Dr. Or Ching Fai *(Chairman)*  
 Mr. Sue Ka Lok  
 Ms. Lee Chun Yeung, Catherine  
 Mr. Chow Kam Wah

## INVESTMENT & CREDIT COMMITTEE

Dr. Or Ching Fai *(Chairman)*  
 Mr. Sue Ka Lok  
 Mr. Chow Kam Wah

## COMPANY SECRETARY

Mr. Sue Ka Lok

## REGISTERED OFFICE

Rooms 3206-3210, 32nd Floor  
 China Resources Building  
 26 Harbour Road  
 Wanchai, Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
 Hang Seng Bank Limited  
 Bank of Communications Co., Ltd., Hong Kong Branch  
 BNP Paribas Hong Kong Branch

## LEGAL ADVISERS

Reed Smith Richards Butler  
 Stevenson, Wong & Co.

## AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

## SHARE REGISTRAR AND TRANSFER OFFICE

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

## TRADING OF SHARES

The Stock Exchange of Hong Kong Limited  
 (Stock Code: 235)

## WEBSITE

<http://www.cshldgs.com>

\* The above information is updated to 27 April 2016, the latest practicable date before printing of this annual report.

## Chairman's Statement

On behalf of the Board, I am pleased to present to the shareholders the results of the Group for the year ended 31 December 2015.

### RESULTS

For the year under review, the Group continued to focus on developing its business in investment in securities, trading of metal minerals and electronic components, as well as money lending.

The Group reported a significant advancement of its results by recording a profit attributable to owners of the Company from its continuing operations of HK\$584,148,000 (2014: HK\$270,465,000) and basic earnings per share from continuing operations of HK5.02 cents (2014: HK4.53 cents). The profitable results achieved by the Group were mainly attributed to the substantial net gain on financial assets of HK\$665,601,000 (2014: HK\$279,066,000) contributed by the Group's securities investment operation as well as the profitable results registered by the Group's trading and money lending operations.

For the year under review, the Group reported revenue of HK\$239,466,000, decreased by 43% from last year (2014: HK\$417,590,000), and gross profit of HK\$33,592,000, rose by 9% compared to previous year (2014: HK\$30,730,000). The decline of the Group's revenue was mainly due to the drop in transaction volume of the Group's trading operation whereas the increase in the Group's gross profit was mainly attributed to the increase in profit generated by the Group's money lending operation.

The Group had made a significant investment in December 2015 by subscribing at par the 9% perpetual securities in the aggregate principal amount of US\$100,000,000 issued by Evergrande Real Estate Group Limited, a company listed on the Stock Exchange which is principally engaged in the development of large-scale residential properties and integrated commercial properties, as long-term investment. The Board considered that the investment is in the interests of the Company and the shareholders as a whole as it is capable of generating a stable income representing satisfactory return to the Group.

### PROSPECTS

The concerns that the China economy had been grown at a slower rate than the government target of 7% in 2015, the continuous sliding of the Chinese and Hong Kong stock markets in the past months, the fall in oil and many minerals prices, the financial uncertainties about the pace of increase in interest rate in the United States and the instabilities in the European economy have all posed negative impact to the sentiments of global financial and investment markets, including Hong Kong, and the Group's operating environment. Despite that there were substantial investment gains recorded by the Group for the year ended 31 December 2015, the volatile Hong Kong stock market in the past months has led the management to take a more cautious approach in managing the Group's securities investments portfolio. The management may restructure and divest part of the Group's securities investments portfolio in view of the recent increased volatility of the Hong Kong stock market. As for the money lending business, it is the Group's plan to continue developing this business by allocating additional financial resources to it so as to accomplish the target that it will contribute a stable income stream and favourable returns to the Group in future years. As for the Group's trading business, the management will put more effort in pursuing the goal of enlarging the supplier and customer base of this business in order to allow a higher volume of trades to be transacted. With the view to strengthen the Group's capital base, the Company had completed a rights issue and share placement exercise in August 2015 and raised in aggregate net proceeds of approximately HK\$1,507,845,000 for the continuous development of the Group's existing businesses as well as for potential investment opportunities with good prospects.

## Chairman's Statement

### APPRECIATION

The Group has achieved very encouraging results for the year ended 31 December 2015. I would like to take this opportunity to thank all our shareholders, investors, bankers, business associates and customers for their continuing support to the Group, and to my fellow directors and all staff members for their contributions and hard work during the past year.

**Dr. Or Ching Fai**

*Chairman*

Hong Kong, 30 March 2016

# Management Discussion and Analysis

## BUSINESS REVIEW

For the year ended 31 December 2015, the Group continued to be principally engaged in the business of investment in securities, trading of metal minerals and electronic components, as well as money lending.

### Continuing Operations

For the year under review, the Group reported revenue of HK\$239,466,000, showing a decline of 43% from the previous year (2014: HK\$417,590,000), and gross profit of HK\$33,592,000, increased by 9% when compared to the prior year (2014: HK\$30,730,000). The decline in the Group's revenue was mainly due to the decrease in transaction volume of the Group's trading operation whereas the increase in the Group's gross profit was mainly attributed to the increase in profit generated by the Group's money lending operation.

### *Investment in Securities*

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges with good liquidity that can facilitate swift execution of securities transactions. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purposes, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macro-economic outlook etc. When deciding on acquiring securities to be held for short-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. For long-term securities investments, the Company mainly emphasises on return of investment in form of capital appreciation and dividend/interest income. For short-term securities investments, the Company mainly emphasises on return of investment in form of trading gains.

For the year under review, the Group's securities investment operation recorded revenue of HK\$14,768,000 (2014: HK\$16,301,000), representing dividends and other income from its investments in equity securities listed in Hong Kong. As a whole, the operation reported a profit of HK\$720,121,000, increased by over 144% from the prior year (2014: HK\$294,794,000), and was mainly attributed to the gain on disposal of available-for-sale investment of HK\$36,955,000 (2014: nil) and net gain on financial assets at fair value through profit or loss of HK\$665,601,000, which in turn comprised of net unrealised gain and net realised gain of HK\$623,319,000 and HK\$42,282,000 respectively (2014: HK\$279,066,000, which comprised of net unrealised gain and net realised loss of HK\$290,845,000 and HK\$11,779,000 respectively). Such gain on securities investments was due primarily to the general upturn of stock market in Hong Kong in 2015, particularly during the first half of the year.

## Management Discussion and Analysis

### Securities investments

At 31 December 2015, the Group invested in different category of companies and their weightings to the market value of the Group's securities portfolio of HK\$1,713,832,000 (2014: HK\$737,686,000) were as below:

<b>Category of companies</b>	<b>Approximate weighting to the market value of the Group's short-term securities portfolio %</b>
Conglomerate company	20.36
Entertainment and media company	19.14
Financial services and investment company	37.15
Healthcare services company	1.40
Industrial materials company	1.80
Infrastructure company	7.63
Mining and resources company	6.14
Property company	4.87
Others	1.51
Total	100.00

Information of (i) unrealised gain (loss) recognised for the year ended 31 December 2015 for securities portfolio held by the Group as at 31 December 2015; (ii) unrealised gain (loss) recognised for the year ended 31 December 2014 for securities portfolio held by the Group as at 31 December 2014; (iii) unrealised gain (loss) on securities acquired during the year ended 31 December 2015; (iv) unrealised gain (loss) on securities acquired during the year ended 31 December 2014; (v) realised gain (loss) on securities disposed of during the year ended 31 December 2015; and (vi) realised gain (loss) on securities disposed of during the year ended 31 December 2014, which also show the financial performance of the investee companies and their future prospects are set out in the tables below. The Group is committed to closely monitor the financial performance of its securities portfolio through making investment and divestment decisions on individual securities from time to time based on, amongst others, internal assessments on individual securities and publicly available information of investee companies.



# Management Discussion and Analysis

## (i) Unrealised gain (loss) recognised for the year ended 31 December 2015 for securities portfolio held by the Group as at 31 December 2015

Industry	Abbreviation of investee company	# Principal activities of investee company	* Acquisition cost/ carrying amount as at 31 December 2014 HK\$'000	% of shareholding interest	Market value as at 31 December 2015 HK\$'000	% to total market value of the securities portfolio	Unrealised gain (loss) recognised during the year ended 31 December 2015 HK\$'000	Dividend received/ receivable during the year ended 31 December 2015 HK\$'000	# Investee company's financial performance	# Future prospects of the investee company
<b>Equity securities listed in Hong Kong</b>										
<b>Conglomerate company</b>	<b>A</b>	Mobile game distribution, development and promotion of education software products and provision of technical support services in the PRC, apparel retail business in the PRC and securities trading and investments business	115,500	4.90%	210,000	12.25%	94,500	-	For the six months ended 30 September 2015, revenue decreased by 6% to HK\$4,352,000 while loss for the period decreased by 24% to HK\$21,119,000 as compared to the same period in 2014.	The investee company is of the view that mobile game distribution business commenced during the period will broaden its income source and contribute positively to its results in future.
	<b>B</b>	Manufacturing and trading of hard and stuffed toys and securities investments	93,280	4.27%	61,480	3.59%	(31,800)	-	For the year ended 31 December 2015, revenue decreased by 41% to HK\$247,732,000 and loss for the year increased by 13% to HK\$133,261,000 as compared to 2014.	The investee company is exploring new investment opportunities in the medical and health industry in the PRC as it considers there are growth potential and opportunities in this industry.
	<b>C</b>	Trading of securities, industrial water supply business, property development and trading and other strategic investments	44,800	4.98%	27,720	1.62%	(17,080)	2,800	For the six months ended 30 September 2015, revenue decreased by 5% to HK\$11,842,000 while loss for the period decreased by 95% to HK\$3,984,000 as compared to the same period in 2014.	The investee company has obtained the pre-sale permit of its flagship project and the related sales revenue is expected to be accounted for in the income statement of the investee during the first half of 2016, generating satisfactory return to it.
	<b>D</b>	Share investment, trading of fur garment and skins and clean energy operation	46,800	0.51%	38,400	2.24%	(8,400)	-	For the six months ended 30 September 2015, revenue decreased by 38% to HK\$98,010,000 and the results experienced a turnaround and recorded a loss for the period of HK\$276,305,000 as compared to the same period in 2014.	The investee company has continued to increase its investment in its energy business, including solar energy, renewable energy and energy develop from waste, to pursue the clean energy policy implementing in the PRC.
	<b>E</b>	Treasury management, property investment and infrastructure investment	9,541	0.95%	11,395	0.66%	1,854	265	For the year ended 31 December 2015, revenue decreased by 58% to HK\$34,957,000 and profit for the year decreased by 45% to HK\$161,829,000 as compared to 2014.	The investee company has been maintaining its long-sustained strategy to focus on strategic expansion and diversification of business, which has been proved to be successful for strengthening the contribution to its profit in long term.
			<b>309,921</b>		<b>348,995</b>	<b>20.36%</b>	<b>39,074</b>			

# Management Discussion and Analysis

## (i) Unrealised gain (loss) recognised for the year ended 31 December 2015 for securities portfolio held by the Group as at 31 December 2015 (continued)

Industry	Abbreviation of investee company	* Principal activities of investee company	* Acquisition cost/ carrying amount as at 31 December 2014 HK\$'000		% of shareholding interest	Market value as at 31 December 2015 HK\$'000		% to total market value of the securities portfolio	Unrealised gain (loss) recognised during the year ended 31 December 2015 HK\$'000	Dividend received/ receivable during the year ended 31 December 2015 HK\$'000	* Investee company's financial performance	* Future prospects of the investee company
Entertainment and media company	F	Provision of services on publication of advertisements, sales of magazines and books, digital business services and provision of magazine content; and providing plastic surgery, anti-aging and other health services	99,532		1.45%	291,392		17.00%	191,860	-	For the eighteen months ended 31 December 2015, revenue of HK\$638,000,000 and profit for the period of HK\$96,000,000 were recorded.	The investee company will continue to carry on its existing media business and develop its new business in community health management, international hospital, elderly and rehabilitation care, and medical cosmetology and anti-aging services.
	G	Film and TV programme production and investment, event production and investment, music production and others, cinema operation, post production services and investment in securities	59,864		4.13%	36,608		2.14%	(23,256)	-	For the six months ended 31 December 2015, revenue increased by 365% to HK\$56,288,000 while loss for the period increased by 120% to HK\$59,084,000 as compared to the same period in 2014.	In view of the rapid expansion and sustainable growth in the box office in Mainland China, the investee company has diversified its business into cinema operation, and expected the operation will not only bring in new income stream and stable return but also develop a platform for exhibition of its film production in Mainland China.
			<b>159,396</b>			<b>328,000</b>		<b>19.14%</b>	<b>168,604</b>			
Financial services and investment company	H	Financial leasing, investments in securities, money lending, investment holding	293,232		3.97%	636,295		37.13%	343,063	-	For the six months ended 30 September 2015, revenue increased by 253% to HK\$9,076,000 while the results experienced a turnaround and recorded a loss for the period of HK\$361,350,000 as compared to the same period in 2014.	Apart from money lending business and investments in listed and unlisted securities, the investee company expands into a variety of financial services serving in the Mainland markets, including a financial leasing transaction services platform with cross border Renminbi business products and integrated financial products, leasing transactions consultation services, guarantees, factoring business and other related businesses.
	I	Provision of securities, options, futures, insurance and other wealth management products broking services; margin financing and money lending services; placing and underwriting services; corporate finance advisory; and asset management services	320		0.01%	303		0.02%	(17)	-	For the year ended 30 September 2015, revenue increased by 53% to HK\$835,077,000 and profit for the year increased by 95% to HK\$430,251,000 as compared to 2014.	The investee company has launched successful equity financing exercises that allows greater financial flexibility to expand businesses, especially the money lending business. The enlarged capital base enables the investee company to actively explore business opportunities that strategically fit into its existing businesses and thereby unlock further value for shareholders.
			<b>293,552</b>			<b>636,598</b>		<b>37.15%</b>	<b>343,046</b>			

# Management Discussion and Analysis

## (i) Unrealised gain (loss) recognised for the year ended 31 December 2015 for securities portfolio held by the Group as at 31 December 2015 (continued)

Industry	Abbreviation of investee company	* Principal activities of investee company	* Acquisition cost/ carrying amount as at 31 December 2014 HK\$'000	% of shareholding interest	Market value as at 31 December 2015 HK\$'000	% to total market value of the securities portfolio	Unrealised gain (loss) recognised during the year ended 31 December 2015 HK\$'000	Dividend received/ receivable during the year ended 31 December 2015 HK\$'000	# Investee company's financial performance	# Future prospects of the investee company
Healthcare services company	J	Production and sales of a series of health care products, pharmaceutical products, securities trading and investments, money lending and wine trading	32,640	2.26%	24,000	1.40%	(8,640)	-	For the year ended 31 December 2015, revenue decreased by 27% to HK\$24,375,000 and profit for the year decreased by 90% to HK\$33,369,000 as compared to 2014.	Despite the confidence in the market share of the pharmaceutical products in Mainland China, the investee company has attempted to switch its focus from investing in local securities market to other available-for-sale investments and treasury products and will pursue investment opportunities in property, wine and/or chateau.
			<b>32,640</b>		<b>24,000</b>	<b>1.40%</b>	<b>(8,640)</b>			
Industrial materials company	K	Investment and trading of securities, provision for finance, property investment and manufacturing and sales of accessories for photographic products	11,811	0.06%	29,618	1.73%	17,807	-	For the nine months ended 31 December 2015, revenue of HK\$101,000,000 and loss for the period of HK\$228,000,000 were recorded.	The investee company is developing its internet-related business. Community O2O mode has begun its exploration in the PRC since 2014, and it is still in the early stage of development with fragmented market. To become the industry leader, the investee company allies with a global real estate leader and a global internet giant to strive for building a "one-stop" community service platform with the largest traffic, the best service, the best experience and the most popular brand.
	L	Manufacture and sale of packaging materials	1,002	0.20%	1,164	0.07%	162	-	For the year ended 31 December 2015, revenue decreased by 11% to HK\$499,936,000 and loss for the year increased by 487% to HK\$67,981,000 as compared to 2014.	The investee company has diversified into tourism, ticketing agency, corporate advisory, business service and advertising business in the Mainland China.
			<b>12,813</b>		<b>30,782</b>	<b>1.80%</b>	<b>17,969</b>			
Infrastructure company	M	Operation of motoring schools, tunnels and an electronic toll collection system, and investment	93,566	3.39%	130,816	7.63%	37,250	4,167	For the year ended 31 December 2015, revenue increased by 16% to HK\$397,402,000 and profit for the year increased by 30% to HK\$663,438,000 as compared to 2014.	Reported increase in revenue and profit for the year ended 31 December 2015 and offered stable dividend payout. The investee company will continue with its existing principal businesses.
			<b>93,566</b>		<b>130,816</b>	<b>7.63%</b>	<b>37,250</b>			

# Management Discussion and Analysis

## (i) Unrealised gain (loss) recognised for the year ended 31 December 2015 for securities portfolio held by the Group as at 31 December 2015 (continued)

Industry	Abbreviation of investee company	* Principal activities of investee company	* Acquisition cost/ carrying amount as at 31 December 2014 HK\$'000		% of shareholding interest	Market value as at 31 December 2015 HK\$'000		% to total market value of the securities portfolio	Unrealised gain (loss) recognised during the year ended 31 December 2015 HK\$'000		Dividend received/ receivable during the year ended 31 December 2015 HK\$'000	* Investee company's financial performance	* Future prospects of the investee company
			December 2014	December 2014		December 2015	December 2015		December 2015	December 2015			
Mining and resources company	N	Acquisition, exploration, development and mining of copper and other mineral resources minerals; property investment and investments in financial instruments	25,538		1.50%	52,817	3.08%	27,279	-			For the six months ended 30 September 2015, revenue decreased by 44% to HK\$38,981,000 and profit for the period decreased by 78% to HK\$18,606,000 as compared to the same period in 2014.	In addition to its existing principal mining business, the investee company has diversified its business into logistics services in Mainland China.
	O	Mining, processing and sale of iron concentrates and gabbro-dabase and stone products in the PRC	61,600		1.75%	52,500	3.06%	(9,100)	-			For the year ended 31 December 2015, revenue increased by 17% to HK\$3,421,000 and loss for the year decreased by 2% to HK\$45,644,000 as compared to 2014.	The investee company will continue to develop its businesses and will cautiously explore mergers and acquisitions and other investment opportunities to achieve sustainable development, and to diversify its business and its income stream.
			<b>87,138</b>			<b>105,317</b>	<b>6.14%</b>	<b>18,179</b>					
Property company	P	Development, lease and management of shopping mall and agriculture business	39,488		0.27%	42,647	2.49%	3,159	-			For the year ended 31 December 2015, revenue increased by 57% to HK\$870,686,000 while loss for the year increased by 165% to HK\$4,536,753,000 as compared to 2014.	The valuation loss on investment properties accounted for a large part of the investee company's loss for the year. Domestic consumption for traditional retail business in the Mainland China remains weak and the investee company is operating in challenging business environment.
	Q	Resort and property development; property and investment holding	23,800		3.35%	27,650	1.61%	3,850	-			For the six months ended 31 December 2015, revenue increased by 11% to HK\$1,735,000 and the results experienced a turnaround and recorded a profit for the period of HK\$ 50,100,000 as compared to the same period in 2014.	The investee company recorded a turnaround of its results and will continue to pursue attractive property/ resort business opportunities with good returns.
	R	Property development and investment; and treasury investments	4,050		0.12%	7,260	0.42%	3,210	150			For the year ended 31 December 2015, revenue decreased by 36% to HK\$6,620,237,000 while profit for the year increased by 50% to HK\$1,641,613,000 as compared to 2014.	The investee company will continue with its existing businesses and will continue to pursue attractive property acquisition opportunities with good returns.
	S	Property development and investment in Macau, the PRC and Hong Kong, development and operation of golf resort and hotel in the PRC, securities investments and the provision of loan financing services	4,663		0.14%	3,964	0.23%	(699)	506			For the six months ended 30 September 2015, revenue decreased by 9% to HK\$2,112,000,000 while net profit increased by 11% to HK\$699,000,000 as compared to the same period in 2014.	The investee company will continue to work on its existing property projects and will be selective and cautious on replenishing its property portfolio when suitable opportunity arises.

# Management Discussion and Analysis

## (i) Unrealised gain (loss) recognised for the year ended 31 December 2015 for securities portfolio held by the Group as at 31 December 2015 (continued)

Industry	Abbreviation of investee company	* Principal activities of investee company	* Acquisition cost/ carrying amount as at 31		Market value as at 31 December 2015 HK\$'000	% to total market value of the securities portfolio	Unrealised gain (loss) recognised during the year ended 31 December 2015 HK\$'000	Dividend received/ receivable during the year ended 31 December 2015 HK\$'000	# Investee company's financial performance	# Future prospects of the investee company
			December 2014 HK\$'000	% of shareholding interest						
	T	Lease of properties, properties development, hotel and hotel related operations	2,185	0.04%	2,028	0.12%	(157)	64	For the six months ended 30 September 2015, revenue increased by 164% to HK\$3,733,419,000 while its results experienced a turnaround and recorded a loss for the period of HK\$506,110,000 as compared to the same period in 2014.	The fair value changes on investment properties accounted for a large part of the investee company's loss for the period. The investee company will continue to source quality and upscale investment properties with good potential in Greater China and major cities in the world and will continue to replenish its property development land bank.
			<b>74,186</b>		<b>83,549</b>	<b>4.87%</b>	<b>9,363</b>			
Others	U	Design and the trading of jewelry products; and retailing of jewelry products	7,301	4.90%	5,775	0.34%	(1,526)	-	For the year ended 31 December 2015, revenue decreased by 27% to HK\$191,769,000 while loss for the year decreased by 32% to HK\$50,450,000 as compared to 2014.	The investee company is operating in challenging business environment as luxury retail markets remain soft. The investee company has adopted various operational measures to meet with these challenges and is cautiously optimistic about the luxury jewelry market in the long-term.
			<b>7,301</b>		<b>5,775</b>	<b>0.34%</b>	<b>(1,526)</b>			
<b>Unlisted debt securities</b>										
Others	V	Banking business	20,000	-	20,000	1.17%	-	-	For the year ended 31 December 2015, interest income, as its major source of revenue, decreased by 7% to US\$47,189,000,000 while the profit for the year increased by 3% to US\$15,096,000,000 as compared to 2014.	The investee company considers the current economic environment is uncertain, but its diversified banking model, low earnings volatility and strong capital generation give it strength and resilience that will stand it in good stead.
			<b>20,000</b>		<b>20,000</b>	<b>1.17%</b>	<b>-</b>			
			<b>1,090,513</b>		<b>1,713,832</b>	<b>100.00%</b>	<b>623,319</b>			

\* The amount represented the acquisition cost for the securities and/or the carrying amount of the securities brought forward from the prior financial year after adjusting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

# Extracted from published financial information of the investee companies.

# Management Discussion and Analysis

## (ii) Unrealised gain (loss) recognised for the year ended 31 December 2014 for securities portfolio held by the Group as at 31 December 2014

Industry	Abbreviation of investee company	* Principal activities of investee company	* Acquisition cost/carrying amount as at 31 December 2013 HK\$'000	% of shareholding interest	Market value as at 31 December 2014 HK\$'000	% to total market value of the securities portfolio	Unrealised gain (loss) recognised during the year ended 31 December 2014 HK\$'000
<b>Equity securities listed in Hong Kong</b>							
<b>Conglomerate company</b>	D	Share investment, trading of fur garment and skins and clean energy operation	8,205	0.67%	46,800	6.35%	38,595
	E	Treasury management, property investment and infrastructure investment	4,594	0.95%	9,541	1.29%	4,947
			<b>12,799</b>		<b>56,341</b>	<b>7.64%</b>	<b>43,542</b>
<b>Financial services and investment company</b>	H	Financial leasing, investments in securities, money lending, investment holding	61,555	4.52%	293,232	39.76%	231,677
			<b>61,555</b>		<b>293,232</b>	<b>39.76%</b>	<b>231,677</b>
<b>Healthcare services company</b>	J	Production and sales of a series of health care products, pharmaceutical products, securities trading and investments, money lending and wine trading	16,032	2.26%	32,640	4.42%	16,608
			<b>16,032</b>		<b>32,640</b>	<b>4.42%</b>	<b>16,608</b>
<b>Industrial materials company</b>	K	Investment and trading of securities, provision for finance, property investment and manufacturing and sales of accessories for photographic products	11,175	0.34%	11,811	1.60%	636
			<b>11,175</b>		<b>11,811</b>	<b>1.60%</b>	<b>636</b>
<b>Infrastructure company</b>	M	Operation of motoring schools, tunnels and an electronic toll collection system, and investment	80,055	3.39%	93,566	12.68%	13,511
			<b>80,055</b>		<b>93,566</b>	<b>12.68%</b>	<b>13,511</b>
<b>Mining and resources company</b>	N	Acquisition, exploration, development and mining of copper and other mineral resources minerals; property investment and investments in financial instruments	38,031	2.14%	25,538	3.46%	(12,493)
	O	Mining, processing and sale of iron concentrates and gabbro-diabase and stone products in the PRC	67,200	1.75%	61,600	8.35%	(5,600)
			<b>105,231</b>		<b>87,138</b>	<b>11.81%</b>	<b>(18,093)</b>
<b>Property company</b>	P	Development, lease and management of shopping mall and agriculture business	30,521	0.37%	26,852	3.64%	(3,669)
	Q	Resort and property development; property and investment holding	45,000	8.62%	51,000	6.91%	6,000
	R	Property development and investment; and treasury investments	5,850	0.12%	4,050	0.55%	(1,800)
	S	Property development and investment in Macau, the PRC and Hong Kong, development and operation of golf resort and hotel in the PRC, securities investments and the provision of loan financing services	3,591	0.16%	4,663	0.63%	1,072

# Management Discussion and Analysis

## (ii) Unrealised gain (loss) recognised for the year ended 31 December 2014 for securities portfolio held by the Group as at 31 December 2014 (continued)

Industry	Abbreviation of investee company	* Principal activities of investee company	Acquisition cost/carrying amount as at 31 December 2013 HK\$'000	% of shareholding interest	Market value as at 31 December 2014 HK\$'000	% to total market value of the securities portfolio	Unrealised gain (loss) recognised during the year ended 31 December 2014 HK\$'000
	W	Property investment and trading; provision of property management and related services; and investment holding	64,924	3.31%	64,924	8.80%	-
	X	Property development and property investment	56	0.01%	45	0.01%	(11)
			<b>149,942</b>		<b>151,534</b>	<b>20.54%</b>	<b>1,592</b>
Others	Y	Operation of lifestyle department stores and other retailing format and property development and property investment	10,052	0.04%	11,424	1.55%	1,372
			<b>10,052</b>		<b>11,424</b>	<b>1.55%</b>	<b>1,372</b>
			<b>446,841</b>		<b>737,686</b>	<b>100.00%</b>	<b>290,845</b>

\* The amount represented the acquisition cost for the securities and/or the carrying amount of the securities brought forward from the prior financial year after adjusting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

# Extracted from published financial information of the investee companies.

## (iii) Unrealised gain (loss) on securities acquired during the year ended 31 December 2015

Industry	Abbreviation of investee company	* Principal activities of investee company	Acquisition cost HK\$'000	% of shareholding interest	Market value as at 31 December 2015 HK\$'000	Unrealised gain (loss) recognised during the year ended 31 December 2015 HK\$'000
<b>Equity securities listed in Hong Kong</b>						
<b>Conglomerate company</b>	<b>A</b>	Mobile game distribution, development and promotion of education software products and provision of technical support services in the PRC, apparel retail business in the PRC and securities trading and investments business	115,500	4.90%	210,000	94,500
	<b>B</b>	Manufacturing and trading of hard and stuffed toys and securities investments	93,280	4.27%	61,480	(31,800)
	<b>C</b>	Trading of securities, industrial water supply business, property development and trading and other strategic investments	44,800	4.98%	27,720	(17,080)
			<b>253,580</b>		<b>299,200</b>	<b>45,620</b>

# Management Discussion and Analysis

## (iii) Unrealised gain (loss) on securities acquired during the year ended 31 December 2015 (continued)

Industry	Abbreviation of investee company	# Principal activities of investee company	Acquisition cost HK\$'000	% of shareholding interest	Market value as at 31 December 2015 HK\$'000	Unrealised gain (loss) recognised during the year ended 31 December 2015 HK\$'000
Entertainment and media company	F	Provision of services on publication of advertisements, sales of magazines and books, digital business services and provision of magazine content; and providing plastic surgery, anti-aging and other health services	99,532	1.45%	291,392	191,860
	G	Film and TV programme production and investment, event production and investment, music production and others, cinema operation, post production services and investment in securities	59,864	4.13%	36,608	(23,256)
			<b>159,396</b>		<b>328,000</b>	<b>168,604</b>
Financial services and investment company	I	Provision of securities, options, futures, insurance and other wealth management products broking services; margin financing and money lending services; placing and underwriting services; corporate finance advisory; and asset management services	320	0.01%	303	(17)
			<b>320</b>		<b>303</b>	<b>(17)</b>
Industrial materials company	K	Investment and trading of securities, provision for finance, property investment and manufacturing and sales of accessories for photographic products	-	0.02%	3,271	3,271
	L	Manufacture and sale of packaging materials	1,002	0.20%	1,164	162
			<b>1,002</b>		<b>4,435</b>	<b>3,433</b>
Property company	P	Development, lease and management of shopping mall and agriculture business	12,636	0.09%	14,216	1,580
	T	Lease of properties, properties development, hotel and hotel related operations	2,185	0.04%	2,028	(157)
			<b>14,821</b>		<b>16,244</b>	<b>1,423</b>
Others	U	Design and the trading of jewelry products; and retailing of jewelry products	7,301	4.90%	5,775	(1,526)
			<b>7,301</b>		<b>5,775</b>	<b>(1,526)</b>
<b>Unlisted debt securities</b>						
Others	V	Banking business	20,000	-	20,000	-
			<b>20,000</b>		<b>20,000</b>	<b>-</b>
			<b>456,420</b>		<b>673,957</b>	<b>217,537</b>

# Extracted from published financial information of the investee companies.



# Management Discussion and Analysis

## (iv) Unrealised gain (loss) on securities acquired during the year ended 31 December 2014

Industry	Abbreviation of investee company	# Principal activities of investee company	Acquisition cost HK\$'000	% of shareholding interest	Market value as at 31 December 2014 HK\$'000	Unrealised gain (loss) recognised during the year ended 31 December 2014 HK\$'000
<b>Equity securities listed in Hong Kong</b>						
<b>Infrastructure company</b>	<b>M</b>	Operation of motoring schools, tunnels and an electronic toll collection system, and investment	28,048	1.19%	32,782	4,734
			<b>28,048</b>		<b>32,782</b>	<b>4,734</b>
<b>Mining and resources company</b>	<b>N</b>	Acquisition, exploration, development and mining of copper and other mineral resource minerals; property investment and investments in financial instruments	3,557	0.24%	2,898	(659)
			<b>3,557</b>		<b>2,898</b>	<b>(659)</b>
<b>Property company</b>	<b>P</b>	Development, lease and management of shopping mall and agriculture business	30,385	0.37%	26,758	(3,627)
	<b>Q</b>	Resort and property development; property and investment holding	45,000	8.62%	51,000	6,000
			<b>75,385</b>		<b>77,758</b>	<b>2,373</b>
			<b>106,990</b>		<b>113,438</b>	<b>6,448</b>

# Extracted from published financial information of the investee companies.

## (v) Realised gain (loss) on securities disposed of during the year ended 31 December 2015

Industry	Abbreviation of investee company	# Principal activities of investee company	* Total acquisition cost/carrying amount as at 31 December 2014 HK\$'000	Sale proceeds of securities sold during the year ended 31 December 2015 HK\$'000	Realised gain (loss) recognised during the year ended 31 December 2015 HK\$'000
<b>Equity securities listed in Hong Kong</b>					
<b>Conglomerate company</b>	<b>A</b>	Mobile game distribution, development and promotion of education software products and provision of technical support services in the PRC, apparel retail business in the PRC and securities trading and investments business	26,828	24,440	(2,388)
			<b>26,828</b>	<b>24,440</b>	<b>(2,388)</b>
<b>Financial services and investment company</b>	<b>I</b>	Provision of securities, options, futures, insurance and other wealth management products broking services; margin financing and money lending services; placing and underwriting services; corporate finance advisory; and asset management services	42,446	50,998	8,552
			<b>42,446</b>	<b>50,998</b>	<b>8,552</b>

# Management Discussion and Analysis

## (v) Realised gain (loss) on securities disposed of during the year ended 31 December 2015 (continued)

Industry	Abbreviation of investee company	# Principal activities of investee company	* Total acquisition cost/carrying amount as at 31 December 2014 HK\$'000	* Sale proceeds of securities sold during the year ended 31 December 2015 HK\$'000	Realised gain (loss) recognised during the year ended 31 December 2015 HK\$'000
Industrial materials company	L	Manufacture and sale of packaging materials	3,375	5,024	1,649
			<b>3,375</b>	<b>5,024</b>	<b>1,649</b>
Property company	Q	Resort and property development; property and investment holding	27,200	57,224	30,024
			64,924	61,016	(3,908)
			45	91	46
			<b>92,169</b>	<b>118,331</b>	<b>26,162</b>
Others	Y	Operation of lifestyle department stores and other retailing format and property development and property investment	11,424	8,063	(3,361)
			19,800	36,044	16,244
			18,451	13,825	(4,626)
			2,214	2,264	50
			<b>51,889</b>	<b>60,196</b>	<b>8,307</b>
			<b>216,707</b>	<b>258,989</b>	<b>42,282</b>

\* The amount represented the acquisition cost for the securities and/or carrying amount of the securities brought forward from the prior financial year.

# Extracted from published financial information of the investee companies.

# Management Discussion and Analysis

## (vi) Realised gain (loss) on securities disposed of during the year ended 31 December 2014

Industry	Abbreviation of investee company	# Principal activities of investee company	* Total acquisition cost/carrying amount as at 31 December 2013 HK\$'000	Sale proceeds of securities sold during the year ended 31 December 2014 HK\$'000	Realised gain (loss) recognised during the year ended 31 December 2014 HK\$'000
<b>Equity securities listed in Hong Kong</b>					
<b>Conglomerate</b>	<b>AC</b>	Provision of total internet-of-things and industry 4.0 solutions; securities investment; and money lending business	13,412	30,918	17,506
			<b>13,412</b>	<b>30,918</b>	<b>17,506</b>
<b>Financial services and investment company</b>	<b>AD</b>	Investment in listed securities in Hong Kong and other main stock markets around the world and also in unlisted companies	611	1,248	637
			<b>611</b>	<b>1,248</b>	<b>637</b>
<b>Industrial materials company</b>	<b>AE</b>	Trading and distribution of electronic and accessory products and other merchandise, financial investments and trading, money lending business and the research and development of integrated circuit technology	9,234	18,430	9,196
			<b>9,234</b>	<b>18,430</b>	<b>9,196</b>
<b>Property company</b>	<b>AF</b>	Property development, property management and property investment	8,680	7,140	(1,540)
			<b>8,680</b>	<b>7,140</b>	<b>(1,540)</b>
<b>Others</b>	<b>AG</b>	Designing and sale of computer software and the provision of professional and maintenance services for such products	–	293	293
	<b>AH</b>	Travel-related business and provision of sales agency services of lottery in PRC	6,554	3,807	(2,747)
	<b>AI</b>	Provision of integrated business software solutions and trading of listed securities	52,376	16,330	(36,046)
			<b>58,930</b>	<b>20,430</b>	<b>(38,500)</b>
<b>Equity securities listed in Singapore</b>					
<b>Others</b>	<b>AJ</b>	Operates as an investment holding company that provides business management and consultancy services	7,038	7,960	922
			<b>7,038</b>	<b>7,960</b>	<b>922</b>
			<b>97,905</b>	<b>86,126</b>	<b>(11,779)</b>

\* The amount represented the acquisition cost for the securities and/or carrying amount of the securities brought forward from the prior financial year.

# Extracted from published financial information of the investee companies.

## Management Discussion and Analysis

### Available-for-sale investments

In December 2015, the Group invested approximately HK\$772,200,000 to subscribe at par the 9% perpetual securities in the aggregate principal amount of US\$100,000,000 issued by Evergrande Real Estate Group Limited (“Evergrande”), a company listed on the Stock Exchange which is principally engaged in the development of large-scale residential properties and integrated commercial properties, as long-term investment. At the year end, a fair value gain on the investment amounting to HK\$3,120,000 was recognised as other comprehensive income. Further details of the investment are set out in the announcements of the Company dated 23 December 2015 and 29 December 2015.

In December 2014, the Group invested in 20,310,500 H shares of Shengjing Bank Co., Ltd., a commercial bank established in the PRC whose shares are listed on the Stock Exchange. During the year ended 31 December 2015, a fair value gain of HK\$53,169,000 (2014: HK\$687,000) reflecting the appreciation in value of the investment was recognised in the Group’s investment revaluation reserve, and as part of the investment was disposed of during the year in light of the then prevailing market conditions, there was a corresponding release of such reserve of HK\$36,955,000 (2014: nil) and the sum was reclassified to profit or loss accordingly.

Accordingly, at 31 December 2015, the Group invested in equity shares of a banking company and perpetual securities of a property company as long-term investments and their respective weighting to the fair value of the Group’s long-term securities portfolio of HK\$846,820,000 (2014: HK\$155,782,000) were as below:

Category of companies	Approximate weighting to the fair value of the Group’s long-term securities portfolio %
Banking company	8.44
Property company	91.56
Total	100.00

### Trading

During the year under review, the Group’s trading operation continued to focus on the trading of metal minerals and electronic components. When compared with the prior year, the segment recorded a 47% drop in revenue to HK\$209,256,000 (2014: HK\$393,995,000) and a 56% decrease in segment profit to HK\$2,777,000 (2014: HK\$6,279,000). The significant drop in the operation’s revenue and profit were principally due to the decrease in volume of metal minerals and electronic components transacted during the year, which was in turn due to increased competition among suppliers and sluggish demand from customers based in Mainland China resulting from slowdown of the economy.

### Money Lending

The money lending operation showed a significant growth in revenue by 112% to HK\$15,442,000 (2014: HK\$7,294,000). Such increase was mainly due to the higher average amount of loans advanced to customers during the year comparing to the same in the prior year. The loans portfolio held by the Group amounted to HK\$480,099,000 at 31 December 2015, increased by over 157 times over the previous year (2014: HK\$3,036,000). The Group had applied part of the new funds raised from the rights issue and share placement exercise completed in August 2015 to expand the operation’s loan portfolio and scale of business activities.

## Management Discussion and Analysis

At 31 December 2015, the Group had made loans to individual and corporate clients with details as follows:

Category of borrowers	Approximate weighting to the value of the Group's loan portfolio %	Interest rate per annum %	Maturity
Individual	23.19	15 – 24	Within one year
Corporate	76.81	10 – 18	Within one year
Total	100.00		

The Group had also granted a standby loan facility to an individual for a sum equivalent to RMB12,000,000 during the current year, which had not been drawn down at the year end.

### Proposed Acquisition

On 15 May 2015, Success China Worldwide Limited ("SCWL"), an indirect wholly owned subsidiary of the Company, entered into a memorandum of understanding ("MOU") with two individuals ("Sellers") under which SCWL had indicated that it wished to acquire the entire issued share capital of a Hong Kong company ("Target Company") for an indicative price of HK\$2,000,000,000 from them. Following the implementation of a restructuring in a manner which was satisfactory to SCWL, it was intended that the Target Company would hold not less than 75% interests in Hualian Electric Commerce Group Co., Ltd. (literal translation of the Chinese company name) (華聯電子商務集團有限公司). As no formal sale and purchase agreement had been entered into by the parties on 15 November 2015, being the last day to enter into a formal agreement, the MOU had lapsed and became of no effect. Under the MOU, the Sellers had granted SCWL an exclusive right to negotiate. As such, if the Company resumes negotiation with the Sellers in the future, such negotiation will, in the absence of a new exclusivity right, be on a non-exclusive basis.

In February 2016, subsequent to the year end, the Group has successfully acquired the entire issued share capital of Harmony Securities Limited ("Harmony") (now known as CS Wealth Securities Limited) for a cash consideration of approximately HK\$18,312,000. Harmony is a securities brokerage company and is licensed by the Hong Kong Securities and Futures Commission to carry on dealing in securities activity. The acquisition of Harmony represents a further step of the Group to diversify its business and tap into the vast business opportunities of financial markets in Hong Kong, being one of the leading international financial centers in Asia. The acquisition of Harmony is also expected to create synergy benefits with the Group's existing business in securities investment and money lending. It is the Group's business plan that financial resources will be devoted to develop the securities brokerage business and other related business activities of Harmony with the view that it will become a principal business of the Group in future.

### Discontinued Operation

In May 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of its battery operation at a cash consideration of HK\$5,000,000 and the disposal was completed in May 2014. Accordingly, the results of the battery operation were accounted for as discontinued operation and a gain on disposal of HK\$110,571,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014.

### Overall Results

For the year ended 31 December 2015, the Group recorded profit from continuing operations attributable to owners of the Company of HK\$584,148,000 (2014: HK\$270,465,000) and basic earnings per share from continuing operations of HK5.02 cents (2014: HK4.53 cents). The Group also registered total comprehensive income attributable to owners of the Company of HK\$603,482,000 (2014: HK\$363,430,000). The very encouraging results achieved by the Group were mainly attributed to the substantial profit earned by the securities investment operation of HK\$720,121,000 (2014: HK\$294,794,000) and the profitable results of the money lending operation of HK\$14,436,000 (2014: HK\$7,684,000) and trading operation of HK\$2,777,000 (2014: HK\$6,279,000).

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

On 18 May 2015, the Company entered into an underwriting agreement with Emperor Securities Limited as underwriter, pursuant to which the Company proposed to implement a rights issue of 3,329,237,945 rights shares on the basis of one rights share for every two shares held on the then record date at the subscription price of HK\$0.15 per rights share, representing a discount of approximately 49.15% to the closing price of HK\$0.295 per share as quoted on the Stock Exchange on 15 May 2015, being the last trading day before the signing of the underwriting agreement (the "2015 Rights Issue"). The net price per rights share was approximately HK\$0.146 and the net proceeds intended to be raised from the 2015 Rights Issue were approximately HK\$485,997,000.

On 18 May 2015, the Company also entered into the placing and underwriting agreement with Emperor Securities Limited as placing agent, pursuant to which the placing agent had conditionally agreed to place a maximum number of 7,000,000,000 placing shares to not less than six placees who were independent third parties of the Company, at the placing price of HK\$0.15 per placing share, representing a discount of approximately 49.15% to the closing price of HK\$0.295 per share as quoted on the Stock Exchange on 15 May 2015, being the last trading day before the signing of the placing and underwriting agreement ("2015 Placing"). The net price per placing share was approximately HK\$0.146 and the net proceeds intended to be raised from the 2015 Placing were approximately HK\$1,021,848,000.

Completion of the 2015 Rights Issue and the 2015 Placing took place on 20 August 2015. The Company intended that (i) approximately 30% to 40% of the net proceeds raised from the 2015 Rights Issue and the 2015 Placing would be used for the development of the Group's investment in securities business; (ii) approximately 30% to 40% for the development of the Group's money lending business; and (iii) the remaining balance for the Group's trading business, or in the case that investment opportunities with good prospects do arise, apply to such investments that may lead to a change of the initial intended usage of the net proceeds. As of 30 March 2016, the date of this annual report, the net proceeds from the 2015 Rights Issue and 2015 Placing had been used largely in line with the original intention where (i) approximately 65% had been applied to the Group's investment in securities business mainly for acquiring the perpetual securities issued by Evergrande as aforementioned and other listed equity securities; (ii) approximately 32% had been applied to the Group's money lending business for provision of loans to customers; and (iii) with the remaining balance being applied to the Group's trading business mainly for making trade payments; as well as for payment of the acquisition costs of Harmony. Further details of the 2015 Rights Issue and the 2015 Placing were set out in the announcements of the Company dated 20 May 2015, 19 August 2015, 20 August 2015, the circular of the Company dated 29 June 2015 and the prospectus of the Company dated 29 July 2015.

During the year ended 31 December 2015, the Group financed its operation mainly by cash generated from its operations, credit facilities provided by banks and shareholders' funds. At the year end, the Group had current assets of HK\$2,733,255,000 (2014: HK\$1,108,769,000) and liquid assets comprising cash and financial assets (comprising mainly listed equity securities) totalling HK\$2,085,782,000 (2014: HK\$1,040,166,000) (excluding pledged bank deposits). The Group's current ratio, calculated based on current assets over current liabilities of HK\$222,751,000 (2014: HK\$11,761,000), was at a very strong ratio of about 12.3 (2014: 94.3). At the year end, the Group's trade and other receivables amounted to HK\$114,933,000 (2014: HK\$64,916,000), which mainly comprised of trade and bill receivables arising from the Group's trading activities and unrestricted deposits placed with securities brokers for securities trading activities. The Group also had deferred tax liabilities of the Group amounted to HK\$99,000,000, which was related to unrealised gain on financial assets valued at market value at the year end.

## Management Discussion and Analysis

At 31 December 2015, the equity attributable to owners of the Company amounted to HK\$3,371,000,000 (2014: HK\$1,259,673,000) and was equivalent to an attributable amount of approximately HK19.84 cents (2014: HK18.92 cents) per share of the Company. The increase in the equity attributable to owners of the Company was mainly a result of the profit earned by the Group and the aggregate net proceeds of about HK\$1,507,845,000 raised by the Company through the 2015 Rights Issue and the 2015 Placing.

At 31 December 2015, the Group's bank borrowings represented advances from banks drawn on bill receivables discounted with full recourse. The borrowings bore interest at floating rates, secured by the relevant bill receivables and were repayable within one year. The Group's gearing ratio, calculated on the basis of total liabilities of HK\$222,751,000 (2014: HK\$11,761,000) divided by the equity attributable to owners of the Company of HK\$3,371,000,000 (2014: HK\$1,259,673,000), was at a low ratio of about 6.6% at the year end (2014: 0.9%). The finance costs relating to the Group's continuing operations for the current year amounted to HK\$409,000 (2014: HK\$139,000), representing mainly interests on bill receivables discounted to banks.

With the amount of liquid assets on hand as well as credit facilities granted by banks, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

### Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars and United States dollars. During the year under review, the Group had not experienced any significant exposure to exchange rate fluctuations, as such, the Group had not entered into any foreign currency forward contracts, currency swaps or other financial derivatives for hedging purposes.

### Pledge of Assets

At 31 December 2015, bill receivables of HK\$101,121,000 (2014: nil) was pledged to bank by way of a floating charge and bank deposits of HK\$52,342,000 (2014: nil) were pledged to banks to secure trade credit facilities granted to the Group.

### Contingent Liability

At 31 December 2015, the Group had no significant contingent liability (2014: nil).

### Capital Commitments

At 31 December 2015, the Group had capital commitments totaling HK\$36,772,000 (2014: HK\$654,000) for acquisition of the shareholdings interest in Harmony and a vessel as to HK\$16,000,000 and HK\$20,772,000 respectively.

## HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2015, the Group employed 34 (2014: 25) employees including directors of the Company. For the year under review, staff costs (including directors' emoluments) amounted to HK\$30,765,000 (2014: HK\$22,278,000). The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong. In addition, the Group provides other employee benefits which include medical insurance, share option scheme and discretionary bonus.

# Management Discussion and Analysis

## PRINCIPAL RISK AND UNCERTAINTIES

The Group is principally engaged in the business of investment in securities, trading of metal minerals and electronic components, as well as money lending. The financial position, operations, businesses and prospects of the Group and its individual business segment are affected by the following significant risk and uncertainty factors:

### Business Risk

The global economic conditions and the state of international financial and investment markets, including the economy, financial and investment markets of the United States, Mainland China and Hong Kong, of which the Group has no control, have significant influences on the business and financial performance of the Group. The management policy to mitigate this risk is to diversify the Group's business and to diversify its investments (where possible) within the same business, as in the case of the Group's investment in securities business.

### Market Risk

The Group's money lending business and trading business of metal minerals and electronic components are operating in a very competitive environment that put pressure on the revenue and profitability of these businesses. The management policy to mitigate this risk is to continue to put effort in enlarging the market share of these businesses by various means.

### Financial Risk

The Group is exposed to financial risks relating to interest rate, equity price, foreign currency, liquidity and credit risk in its ordinary course of business. For further details of such risks and relevant management policies, please refer to note 36 to the consolidated financial statements for details.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 December 2015, there were no significant dispute between the Group and its employees, customers and suppliers.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group encourages environmental protection and adopts measures to promote environmental awareness of its employees. The Group implements green office practices by encouraging employees to make use of e-statements or scanning copies, double-sided printing and copying and setting up of recycle boxes for reducing and disposing of waste. The Group also reduces green-house emissions by switching off idle lightings and other office equipments after normal working hours. The Group regularly review its environmental practices for further improvements.



## Biographical Details of Directors

The biographical details of Directors as at 30 March 2016, the date of this annual report, are set out below:

### EXECUTIVE DIRECTORS

#### **Dr. Or Ching Fai**, *Chairman and Chief Executive Officer*

Aged 66, joined the Company as an Executive Director and the Chief Executive Officer in November 2009, and was appointed the Chairman on 2 March 2012. He is also a director of certain subsidiaries of the Company. Dr. Or graduated from The University of Hong Kong in 1972 and was awarded an Honorary Doctor of Social Science from the City University of Hong Kong in 2014. Dr. Or is a Justice of the Peace and has rich experiences in the insurance, banking and financial services industries. He was the general manager and a director of The Hongkong and Shanghai Banking Corporation Limited. He was also the chairman of HSBC Insurance Limited. Dr. Or was the chief executive and vice-chairman of Hang Seng Bank Limited (Hong Kong stock code: 11), a company listed in Hong Kong. He was also the chairman of Hang Seng Insurance Company Limited and Hang Seng Bank (China) Limited. Dr. Or was the chairman of the Hong Kong Association of Banks; the vice president and a council member of the Hong Kong Institute of Bankers; the chairman of Executive and Campaign Committee of the Community Chest of Hong Kong. Dr. Or is a vice patron of the board of the Community Chest of Hong Kong. Dr. Or was awarded a Silver Bauhinia Star from the Hong Kong Special Administrative Region and Honorary University Fellowships from The University of Hong Kong in 2009. Dr. Or was the chairman of the Financial Services Advisory Committee and a member of the Services Promotion Programme Committee of the Hong Kong Trade Development Council. He was a member of the Risk Management Committee of Hong Kong Exchanges and Clearing Limited and a member of the Aviation Development Advisory Committee. He was the deputy chairman of the Council of City University of Hong Kong and was a council member of The University of Hong Kong; an adviser of the Employers' Federation of Hong Kong, a member of the 5th East Asian Games Planning Committee and a director of 2009 East Asian Games (Hong Kong) Limited. Dr. Or was a director of Cathay Pacific Airways Limited (Hong Kong stock code: 293) and Hutchison Whampoa Limited (Hong Kong stock code: 13 (delisted)). Dr. Or is the chairman and an independent non-executive director of Esprit Holdings Limited (Hong Kong stock code: 330), the vice-chairman and an independent non-executive director of G-Resources Group Limited (Hong Kong stock code: 1051) ("G-Resources") and an independent non-executive director of Chow Tai Fook Jewellery Group Limited (Hong Kong stock code: 1929), Television Broadcasts Limited (Hong Kong stock code: 511) and Industrial and Commercial Bank of China Limited (Hong Kong stock code: 1398). He has been appointed as an independent non-executive director of Regina Miracle International (Holdings) Limited (Hong Kong stock code: 2199) ("Regina Miracle") on 11 September 2015. All of the aforementioned companies with Hong Kong stock code are/was listed on the Stock Exchange. Dr. Or has been appointed as the deputy chairman and a non-executive director of Aquis Entertainment Limited (formerly known as Discovery Resources Limited) (Australian stock code: ASX: AQS) ("Aquis Entertainment"), a company listed on the Australian Securities Exchange, on 7 August 2015.

## Biographical Details of Directors

### **Mr. Sue Ka Lok**

Aged 50, joined the Group in November 2014 and was appointed as an Executive Director in December 2014, and the Company Secretary in April 2015. He is also a director of certain subsidiaries of the Company. Mr. Sue holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, and a fellow of The Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators and the Hong Kong Securities and Investment Institute. He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director of Eyang Holdings (Group) Co., Limited (Hong Kong stock code: 117) and has been appointed as the chairman and an executive director of Courage Marine Group Limited (Hong Kong stock code: 1145 and Singapore stock code: ATL.SI) ("Courage Marine") on 14 October 2015. Mr. Sue was the chief executive officer and an executive director of BEP International Holdings Limited (Hong Kong stock code: 2326) and Skyway Securities Group Limited (formerly known as Poly Capital Holdings Limited) (Hong Kong stock code: 1141) ("Skyway Securities"), the chairman and a non-executive director of Winshine Science Company Limited (formerly known as China Tycoon Beverage Holdings Limited) (Hong Kong stock code: 209), and the chairman and an executive director of Hailiang International Holdings Limited (formerly known as Sunlink International Holdings Limited) (Hong Kong stock code: 2336). He was also the chief executive officer and an executive director of Enviro Energy International Holdings Limited (Hong Kong stock code: 1102) ("Enviro Energy") during the period from 8 June 2015 to 7 October 2015. All of the aforementioned companies with Hong Kong stock code are listed on the Stock Exchange and with Courage Marine being also listed on the Singapore Exchange.

### **Ms. Lee Chun Yeung, Catherine**

Aged 47, joined the Group in September 2014 and was appointed as an Executive Director in February 2015. Ms. Lee is also a director of certain subsidiaries of the Company. She holds a Bachelor of Arts degree from Guangdong University of Foreign Studies (formerly known as Guangzhou Institute of Foreign Languages) and a Master of Business Administration degree from the University of South Australia. Ms. Lee has extensive experience in international trading of metal minerals and commodities. Ms. Lee had worked as an economist in a major commercial bank and a senior executive in a state-owned trading group in the PRC. Ms. Lee was an executive director of Skyway Securities.

### **Mr. Chow Kam Wah**

Aged 53, joined the Company as an Executive Director in July 2007. Mr. Chow is also a director of certain subsidiaries of the Company. He holds a master's degree in accountancy from The Hong Kong Polytechnic University. Mr. Chow has over 15 years of managerial experience in finance and accounting. He is a certified practising accountant of the CPA Australia.

## Biographical Details of Directors

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### **Ms. Ma Yin Fan**

Aged 52, joined the Company as an Independent Non-executive Director in September 2007. Ms. Ma obtained a bachelor's degree with honours in accounting from Middlesex University in the United Kingdom. She is also awarded the Master of Business Administration and Master in Professional Accounting degree from Heriot-Watt University in the United Kingdom and The Hong Kong Polytechnic University respectively. Ms. Ma is a CPA (Practising) in Hong Kong and has been working in the auditing, accounting and taxation areas with more than 20 years of professional experience. She is the principal of Messrs. Ma Yin Fan & Company CPAs. Ms. Ma is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in the England and Wales, The Taxation Institute of Hong Kong, the Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. She is also a Certified Tax Advisor in Hong Kong. Ms. Ma is an independent non-executive director of G-Resources and CST Mining Group Limited (Hong Kong stock code: 985) ("CST Mining"). She was an independent non-executive director of China New Energy Power Group Limited (Hong Kong stock code: 1041) ("China New Energy"). All of the aforementioned companies are listed on the Stock Exchange.

#### **Mr. Chow Yu Chun, Alexander**

Aged 69, joined the Company as an Independent Non-executive Director in March 2011. Mr. Chow is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has over 35 years of experience in commercial, financial and investment management in Hong Kong and Mainland China. Mr. Chow is an independent non-executive director of Playmates Toys Limited (Hong Kong stock code: 869), Symphony Holdings Limited (Hong Kong stock code: 1223) and Top Form International Limited (Hong Kong stock code: 333). He was a non-executive director of New World China Land Limited (Hong Kong stock code: 917). All of the aforementioned companies are listed on the Stock Exchange. Mr. Chow has been appointed as an independent non-executive director of Aquis Entertainment on 7 September 2015.

#### **Mr. Leung Hoi Ying**

Aged 65, joined the Company as an Independent Non-executive Director in September 2007. Mr. Leung graduated from Guangdong Foreign Trade School in the PRC. He has over 15 years of experience in the trading business and business development. Mr. Leung is an independent non-executive director of G-Resources and has been appointed as an independent non-executive director of CST Mining on 29 January 2016. He was an independent non-executive director of China New Energy. All of the aforementioned companies are listed on the Stock Exchange.

# Report of the Directors

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

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 4 to 23 of this annual report. This discussion forms part of this directors' report.

## RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 43 to 44.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 110. This summary does not form part of the audited consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

## DONATIONS

There is no charitable donation made by the Group during the year ended 31 December 2015.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 32 to the consolidated financial statements.

## Report of the Directors

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

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

### DISTRIBUTABLE RESERVE

As at 31 December 2015, the Company had no reserve available for distribution to shareholders.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 87% of the total sales for the year and sales to the largest customer accounted for approximately 35%. Purchases from the Group's five largest suppliers accounted for approximately 98% of the total purchases for the year and purchases from the largest supplier accounted for approximately 41%.

None of the directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers or suppliers during the year.

### DIRECTORS

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

#### Executive Directors:

Dr. Or Ching Fai  
Mr. Sue Ka Lok  
Ms. Lee Chun Yeung, Catherine (appointed on 2 February 2015)  
Mr. Chow Kam Wah  
Mr. Hui Richard Rui (resigned on 1 March 2016)

#### Independent Non-executive Directors:

Ms. Ma Yin Fan  
Mr. Chow Yu Chun, Alexander  
Mr. Leung Hoi Ying

In accordance with Article 116 of the Company's Articles of Association, Mr. Chow Kam Wah, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying will retire at the forthcoming annual general meeting of the Company (the "AGM") by rotation and, being eligible, will offer themselves for re-election in the forthcoming AGM.

Mr. Hui Richard Rui resigned as an Executive Director of the Company on 1 March 2016. Mr. Hui Richard Rui has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

# Report of the Directors

## DIRECTORS OF SUBSIDIARIES

During the year and up to the date of this report, Dr. Or Ching Fai, Mr. Sue Ka Lok, Ms. Lee Chun Yeung, Catherine, Mr. Hui Richard Rui and Mr. Chow Kam Wah are also directors in certain subsidiaries of the Company. Other directors of the subsidiaries of the Company during the year and up to the date of this report include Mr. Zhu Kai and Mr. Leung Wing Shing.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, subject to the statutes, every director shall be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and other officers of the Company during the year.

## DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 15 to the consolidated financial statements.

## UPDATES ON DIRECTORS' INFORMATION

The following is the updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Dr. Or Ching Fai has been appointed as an independent non-executive director of Regina Miracle on 11 September 2015; and has been appointed as the deputy chairman and a non-executive director of Aquis Entertainment on 7 August 2015.
2. Mr. Sue Ka Lok has been appointed as the chairman and an executive director of Courage Marine on 14 October 2015; and resigned as the chief executive officer and an executive director of Enviro Energy on 7 October 2015.
3. Mr. Chow Yu Chun, Alexander has been appointed as an independent non-executive director of Aquis Entertainment on 7 September 2015.

## Report of the Directors

### UPDATES ON DIRECTORS' INFORMATION (continued)

4. Mr. Leung Hoi Ying has been appointed as an independent non-executive director of CST Mining on 29 January 2016.
5. The director's remuneration of Dr. Or Ching Fai has been increased to HK\$11,050,000 per annum under his service contract with the Company with effect from 1 February 2016. The revised remuneration was recommended by the Remuneration Committee and approved by the Board.
6. The director's remuneration of Mr. Sue Ka Lok has been increased to HK\$1,560,000 per annum under his service contract with a subsidiary of the Company with effect from 1 February 2016. The revised remuneration was recommended by the Remuneration Committee and approved by the Board.
7. The director's remuneration of Ms. Lee Chun Yeung, Catherine has been increased to HK\$1,040,000 per annum under her service contract with a subsidiary of the Company with effect from 1 February 2016. The revised remuneration was recommended by the Remuneration Committee and approved by the Board.
8. The director's remuneration of Mr. Chow Kam Wah has been increased to HK\$1,105,000 per annum under his service contract with the Company with effect from 1 February 2016. The revised remuneration was recommended by the Remuneration Committee and approved by the Board.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the related party disclosures as disclosed in the note 40 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company and the director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share option scheme" disclosure in note 34 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

## Report of the Directors

### SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 34 to the consolidated financial statements.

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2015, the following interests of more than 5% of the issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

#### Long positions in the shares of the Company:

Name of shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued shares
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	1,680,000,000 (Note)	9.89%
Ace Resources Investment Limited ("Ace Resources")	Beneficial owner	1,680,000,000 (Note)	9.89%

*Note:* These shares were held by Ace Resources, which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Ace Resources. Accordingly, Mr. Suen and Ace Resources were deemed to be interested in 1,680,000,000 shares of the Company under the SFO.

The interests of Mr. Suen and Ace Resources in 1,680,000,000 shares of the Company referred to in the note above related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2015 as required pursuant to section 336 of the SFO.

### CONNECTED TRANSACTIONS

The related party disclosures as disclosed in note 40 to the consolidated financial statements fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

### REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits included provident fund scheme, medical insurance, share option scheme as well as discretionary bonuses.



## Report of the Directors

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, none of the directors, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

### EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in note 34 to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

### MANAGEMENT CONTRACTS

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

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued shares is held by the public as at the date of this report.

### AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2015 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

### AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2015 have been audited by Deloitte Touche Tohmatsu.

A resolution will be proposed at the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Dr. Or Ching Fai**

*Chairman*

Hong Kong, 30 March 2016

# Corporate Governance Report

The Company has recognised the importance of transparency and accountability, and believes that shareholders can benefit from good corporate governance. The Company aims to achieve good standard of corporate governance.

## CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2015, except for the following deviation with reason as explained:

### Chairman and chief executive

#### *Code Provision A.2.1*

Code Provision A.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

#### *Deviation*

The Company has deviated from the requirement during the year ended 31 December 2015. The Board believes that vesting the roles of chairman and chief executive officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.

## 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 securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2015.

## BOARD OF DIRECTORS

The Board formulates overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have acted in good faith to maximize the shareholders’ value in the long run, and have aligned the Group’s goal and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. The directors are kept informed on timely basis of major changes that may affect the Group’s business, including relevant rules and regulations. The directors can, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company’s expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

## Corporate Governance Report

### BOARD OF DIRECTORS (continued)

As at 30 March 2016, the date of this annual report, the Board comprises seven directors, four of which are Executive Directors, namely Dr. Or Ching Fai (“Dr. Or”) (Chairman and Chief Executive Officer), Mr. Sue Ka Lok, Ms. Lee Chun Yeung, Catherine and Mr. Chow Kam Wah, and three are Independent Non-executive Directors, namely Ms. Ma Yin Fan (“Ms. Ma”), Mr. Chow Yu Chun, Alexander (“Mr. Chow”) and Mr. Leung Hoi Ying (“Mr. Leung”). The directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the directors are set out under the section headed “Biographical Details of Directors” on pages 24 to 26 of this annual report.

As disclosed in that section, Dr. Or is the vice-chairman and an independent non-executive director of G-Resources of which both Ms. Ma and Mr. Leung is an independent non-executive director. Dr. Or is the deputy chairman and non-executive director of Aquis Entertainment of which Mr. Chow is an independent non-executive director. Both Ms. Ma and Mr. Leung is an independent non-executive director of CST Mining. Save for the aforesaid, there is no other financial, business, family or other material/relevant relationship between Dr. Or, the Chairman and the Chief Executive Officer, and senior management and members of the Board.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the directors. Continuing briefing and professional development for directors are arranged where necessary.

# Corporate Governance Report

## BOARD OF DIRECTORS (continued)

During the year ended 31 December 2015, four regular Board meetings and 2015 annual general meeting of the Company (the "2015 AGM") were held and the attendance of each director is set out as follows:

	Number of attendance	
	Board Meetings	2015 AGM
<b>Executive Directors</b>		
Dr. Or Ching Fai	4/4	1/1
Mr. Sue Ka Lok	4/4	1/1
Ms. Lee Chun Yeung, Catherine (appointed on 2 February 2015)	4/4	0/1
Mr. Chow Kam Wah	4/4	1/1
Mr. Hui Richard Rui (resigned on 1 March 2016)	4/4	1/1
<b>Independent Non-executive Directors</b>		
Ms. Ma Yin Fan	4/4	1/1
Mr. Chow Yu Chun, Alexander	4/4	1/1
Mr. Leung Hoi Ying	4/4	1/1

## CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company has deviated from the requirement during the year ended 31 December 2015. Dr. Or Ching Fai acted as Executive Director, Chairman and Chief Executive Officer of the Company. Although this arrangement constitutes a deviation from the CG Code, the Board considers that the structure, where the leadership of the Board is distinct from the executive responsibilities for running of the business operations, will not impair the balance of power and authority between the Board and the management of the business, the Board further believes that vesting the roles of chairman and chief executive officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.

## TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

According to the CG Code, the non-executive directors should be appointed for a specific term and subject to re-election. All Independent Non-executive Directors (including Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying) have signed an appointment letter with the Company specifying the terms of his/her continuous appointment as an independent non-executive director and a member of the relevant Board committees for a period of two years, subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company as governed by the Company's Articles of Association.

# Corporate Governance Report

## REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying. Mr. Chow Yu Chun, Alexander is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy and the remuneration of the directors. The overriding objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-caliber team which is essential to the success of the Group. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee met two times during the year ended 31 December 2015 to review and make recommendations to the Board on the discretionary bonus for executive directors and remuneration packages for directors. The attendance of each member is set out as follows:

Members	Number of attendance
Mr. Chow Yu Chun, Alexander	2/2
Ms. Ma Yin Fan	2/2
Mr. Leung Hoi Ying	2/2

## NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Nomination Committee comprises three members, including one Executive Director, namely Dr. Or Ching Fai, and two Independent Non-executive Directors, namely Ms. Ma Yin Fan and Mr. Leung Hoi Ying. Dr. Or Ching Fai is the Chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of directors of the Company. Potential new directors are selected on the basis of their qualifications, skills and experience that he/she could add value to the management through his/her contributions in the relevant strategic business areas. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Nomination Committee met two times during the year ended 31 December 2015 to review the board diversity policy of the Company (the "Board Diversity Policy"), review the structure, size and composition of the Board; and review and make recommendation to the Board on the appointment of a director. The attendance of each member is set out as follows:

Members	Number of attendance
Dr. Or Ching Fai	2/2
Ms. Ma Yin Fan	2/2
Mr. Leung Hoi Ying	2/2

# Corporate Governance Report

## NOMINATION COMMITTEE (continued)

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance and adopted the Board Diversity Policy on 19 July 2013. The Board Diversity Policy sets out that in determining the optimum composition of the Board, differences in skills, regional and industry experience, background, race, gender and other qualities of directors shall be considered. All Board appointments are made on merits, in the context of skills and experience the Board as a whole requires, with due regard for the benefits of diversity on the Board, and the Nomination Committee shall review and assess the Board composition and its effectiveness on an annual basis. When there is vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances.

The Nomination Committee had reviewed the diversity of the Board of the Company during the year ended 31 December 2015 and will review the Board Diversity Policy from time to time to ensure that the policy will be implemented effectively.

## AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2015 is set out in the "Independent Auditor's Report" on pages 41 to 42 of this annual report.

For the year ended 31 December 2015, remuneration payable to the Company's auditor, Deloitte Touche Tohmatsu, for the provision of audit services was HK\$1,418,000. During the year, HK\$637,000 was paid as remuneration to Deloitte Touche Tohmatsu for the provision of non-audit related services including preparing accountant's reports for the Group's rights issue and placing; and performing a review on the Company's condensed consolidated financial statements for the six months ended 30 June 2015.

## AUDIT COMMITTEE

The Audit Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying, who among themselves possess a wealth of management experience in the accounting profession and in commercial fields. Ms. Ma Yin Fan is the Chairman of the Audit Committee.

The Audit Committee is mainly responsible for reviewing financial statements of the Company, discussing the risk management and internal control of the Group and meeting with the auditor of the Company. Any findings and recommendations of the Audit Committee will be submitted to the Board for consideration.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee. It is also authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary. The full terms of reference are available on the Company's website and the Stock Exchange's website.

# Corporate Governance Report

## AUDIT COMMITTEE (continued)

The Audit Committee met two times during the year ended 31 December 2015 and the attendance of each member is set out as follows:

Members	Number of attendance
Ms. Ma Yin Fan	2/2
Mr. Chow Yu Chun, Alexander	2/2
Mr. Leung Hoi Ying	2/2

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited consolidated financial statements of the Company for the year ended 31 December 2014 and recommended to the Board for approval;
2. reviewed and discussed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2015 and recommended to the Board for approval;
3. reviewed and discussed with the management and the auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;
4. reviewed reports from the auditor of the Company regarding their audit on the Company's consolidated financial statements for the year ended 31 December 2014 and their review on the Company's condensed consolidated financial statements for the six months ended 30 June 2015;
5. reviewed the effectiveness of the internal control system of the Group; and
6. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

# Corporate Governance Report

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

1. to develop and review the Group's policies and practices on corporate governance and make recommendations;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors of the Group; and
5. to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

## INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control and reviewing their effectiveness to safeguard the shareholders' interests and the Group's assets. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss.

During the year, the Board conducted an annual review of the effectiveness of the internal control system of the Group.

## COMPANY SECRETARY

Following the resignation of Mr. Chow Kim Hang as the Company Secretary, Mr. Sue Ka Lok ("Mr. Sue"), an Executive Director of the Company, has been appointed as the Company Secretary with effect from 1 April 2015. The biographical details of Mr. Sue are set out under the section headed "Biographical Details of Directors" on pages 24 to 26 of this annual report. Mr. Sue has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2015.



# Corporate Governance Report

## SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The annual general meetings (“AGM”) of the Company provide a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The chairmen of all Board committees are invited to attend the AGM. The chairman of the Board and the chairmen of all the Board committees, or in their absence, other members of the respective committees, are available to answer questions at the AGM. The auditor of the Company is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors’ report, the accounting policies and auditor’s independence.

Under Section 566 of the Hong Kong Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at the general meetings are entitled to send a request to the company to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the company in hard copy form or in electronic form and must be authenticated by the shareholder(s) making it and deposited at the registered office of the company. Besides, in relation to an annual general meeting which a company is required to hold, Section 615 of the Hong Kong Companies Ordinance provide that shareholders representing at least 2.5% of the total voting rights of all the shareholders having a right to vote on the resolution at the annual general meeting or at least 50 shareholders having a right to vote on the resolution at the annual general meeting, may request the company to circulate a notice of the resolution for consideration at the annual general meeting, by sending a request, which must be authenticated by the shareholders making it, in a hard copy form or electronic form. Such request must be deposited at the registered office of the company not later than six weeks before the relevant annual general meeting or if later, when the notice of annual general meeting is despatched.

As a channel to further promote effective communication, the Group maintains a website at <http://www.cshldgs.com> where the Company’s annual and interim reports, notices, announcements and circulars are posted.

A printed copy of the Memorandum and Articles of Association of the Company has been published on the websites of the Company and the Stock Exchange. There had been no changes in the Company’s constitutional documents during the year ended 31 December 2015.

Enquiries may be put to the Board through the Company Secretary at Rooms 3206-3210, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

# Independent Auditor's Report

# Deloitte.

## 德勤

### TO THE SHAREHOLDERS OF CHINA STRATEGIC HOLDINGS LIMITED

中策集團有限公司

*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of China Strategic Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 109, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Independent Auditor's Report

### OPINION

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 30 March 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Continuing operations</b>			
Revenue	5	239,466	417,590
Cost of sales		(205,874)	(386,860)
Gross profit		33,592	30,730
Other income	7	6,476	2,892
Other gain	8	4,506	162
Selling and distribution costs		(1,859)	(1,937)
Administrative expenses		(52,069)	(43,480)
Net gain on financial assets at fair value through profit or loss	9	665,601	279,066
Gain on disposal of available-for-sale investments		36,955	–
Finance costs	10	(409)	(139)
Gain on disposal of subsidiaries	11	102	7,197
Profit before tax		692,895	274,491
Income tax expenses	12	(108,539)	(1,201)
Profit for the year from continuing operations	13	584,356	273,290
<b>Discontinued operation</b>			
Profit for the year from discontinued operation	14	–	106,529
<b>Profit for the year</b>		<b>584,356</b>	<b>379,819</b>
<b>Other comprehensive income (expense)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		–	541
Fair value gain on available-for-sale investments		56,289	996
Released on disposal of available-for-sale investments		(36,955)	–
Reclassification adjustments upon disposal of subsidiaries	11	–	(7,197)
Reclassification adjustments upon disposal of the Disposal Group	14	–	(7,904)
Other comprehensive income (expense) for the year		19,334	(13,564)
<b>Total comprehensive income for the year</b>		<b>603,690</b>	<b>366,255</b>

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	<i>Note</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>Profit for the year attributable to:</b>			
Owners of the Company			
– Profit for the year from continuing operations		<b>584,148</b>	270,465
– Profit for the year from discontinued operation		–	106,529
		<b>584,148</b>	376,994
Non-controlling interests			
– Profit for the year from continuing operations		<b>208</b>	2,825
		<b>584,356</b>	379,819
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>603,482</b>	363,430
Non-controlling interests		<b>208</b>	2,825
		<b>603,690</b>	366,255
<b>Earnings per share attributable to owners of the Company</b>			
	18		(Restated)
From continuing and discontinued operations			
– Basic		<b>HK5.02 cents</b>	HK6.31 cents
From continuing operations			
– Basic		<b>HK5.02 cents</b>	HK4.53 cents

# Consolidated Statement of Financial Position

At 31 December 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	19	5,087	3,989
Prepaid lease payments	20	2,768	2,867
Club debentures	21	628	825
Available-for-sale investments	22	846,820	155,782
Deposit for acquisition of property, plant and equipment	23	5,193	73
		<u>860,496</u>	<u>163,536</u>
<b>Current assets</b>			
Inventories	24	–	552
Trade and other receivables	25	114,933	64,916
Prepaid lease payments	20	99	99
Loan receivables	26	480,099	3,036
Financial assets at fair value through profit or loss	27	1,713,832	737,686
Pledged bank deposits	28	52,342	–
Bank balances and cash	28	371,950	302,480
		<u>2,733,255</u>	<u>1,108,769</u>
<b>Current liabilities</b>			
Trade and other payables	29	9,383	6,657
Income tax payable		13,247	5,104
Deferred tax liabilities	30	99,000	–
Bank borrowings	31	101,121	–
		<u>222,751</u>	<u>11,761</u>
Total current liabilities		<u>222,751</u>	<u>11,761</u>
<b>Net current assets</b>		<u>2,510,504</u>	<u>1,097,008</u>
<b>Net assets</b>		<u>3,371,000</u>	<u>1,260,544</u>

# Consolidated Statement of Financial Position

At 31 December 2015

	<i>Note</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>Capital and reserves</b>			
Share capital	32	<b>3,012,877</b>	1,505,032
Reserves		<b>358,123</b>	(245,359)
Equity attributable to owners of the Company		<b>3,371,000</b>	1,259,673
Non-controlling interests		–	871
<b>Total equity</b>		<b>3,371,000</b>	1,260,544

The consolidated financial statements on pages 43 to 109 are approved and authorised for issue by the Board of Directors on 30 March 2016 and are signed on its behalf by:

**Dr. Or Ching Fai**  
*Director*

**Sue Ka Lok**  
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special capital reserve HK\$'000 (Note (i))	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other non-distributable reserve HK\$'000	(Accumulated losses) retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2014	369,918	846,242	1,267	233	4,945	7,363	1,943	(623,040)	608,871	(2,495)	606,376
Profit for the year	-	-	-	-	-	-	-	376,994	376,994	2,825	379,819
Exchange differences arising on translation of foreign operations	-	-	-	-	-	541	-	-	541	-	541
Fair value gain on available-for-sale investments	-	-	-	-	996	-	-	-	996	-	996
Reclassification to profit or loss upon disposal of subsidiaries (note 11)	-	-	-	-	(5,254)	-	(1,943)	-	(7,197)	-	(7,197)
Reclassification to profit or loss upon disposal of the Disposal Group (note 14)	-	-	-	-	-	(7,904)	-	-	(7,904)	-	(7,904)
Total comprehensive income (expense) for the year	-	-	-	-	(4,258)	(7,363)	(1,943)	376,994	363,430	2,825	366,255
Transfer upon abolition of par value under the Hong Kong Companies Ordinance (Note (ii))	847,742	(846,242)	(1,267)	(233)	-	-	-	-	-	-	-
Disposal of the Disposal Group (note 14)	-	-	-	-	-	-	-	-	-	541	541
Issue of shares (note 32)	295,927	-	-	-	-	-	-	-	295,927	-	295,927
Transaction costs attributable to issue of shares (note 32)	(8,555)	-	-	-	-	-	-	-	(8,555)	-	(8,555)
At 31 December 2014	1,505,032	-	-	-	687	-	-	(246,046)	1,259,673	871	1,260,544
Profit for the year	-	-	-	-	-	-	-	584,148	584,148	208	584,356
Fair value gain on available-for-sale investments	-	-	-	-	56,289	-	-	-	56,289	-	56,289
Released on disposal of available-for-sales investments	-	-	-	-	(36,955)	-	-	-	(36,955)	-	(36,955)
Total comprehensive income for the year	-	-	-	-	19,334	-	-	584,148	603,482	208	603,690
Disposal of subsidiaries (note 11)	-	-	-	-	-	-	-	-	-	(1,079)	(1,079)
Issue of shares (note 32)	1,549,386	-	-	-	-	-	-	-	1,549,386	-	1,549,386
Transaction costs attributable to issue of shares (note 32)	(41,541)	-	-	-	-	-	-	-	(41,541)	-	(41,541)
<b>At 31 December 2015</b>	<b>3,012,877</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,021</b>	<b>-</b>	<b>-</b>	<b>338,102</b>	<b>3,371,000</b>	<b>-</b>	<b>3,371,000</b>

## Notes:

- (i) The special capital reserve of the Group represented the amount arising from the capital reduction carried out by the Company during the year ended 31 December 2001.
- (ii) Par value of the Company's shares is retired and the relevant concepts of nominal value, share premium, special capital reserve and capital redemption reserve are abolished upon the commencement of the Hong Kong Companies Ordinance on 3 March 2014.



# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Cash flows from operating activities</b>			
Profit for the year		584,356	379,819
Adjustments for:			
Finance costs		409	2,956
Interest income		(3,431)	(401)
Amortisation of prepaid lease payments		99	156
Depreciation of property, plant and equipment		594	962
Gain on disposal of subsidiaries	11	(102)	(7,197)
Gain on disposal of the Disposal Group	14	–	(110,571)
Gain on disposal of club debenture		(891)	–
Gain on disposal of available-for-sale investments		(36,955)	–
Net unrealised gain on financial assets at fair value through profit or loss		(623,319)	(290,845)
Income tax expenses		108,539	1,201
<b>Operating cash flows before movements in working capital</b>		<b>29,299</b>	<b>(23,920)</b>
Decrease in inventories		552	16,491
Increase in trade and other receivables		(50,017)	(44,833)
(Increase) decrease in loan receivables		(477,063)	126,268
Increase in financial assets at fair value through profit or loss		(352,827)	(57,174)
Increase in trade and other payables		2,809	3,045
Decrease in deferred income		–	(6,025)
Cash (used in) from operations		(847,247)	13,852
Income tax paid		(877)	–
<b>Net cash (outflow) inflow from operating activities</b>		<b>(848,124)</b>	<b>13,852</b>
<b>Cash flows from investing activities</b>			
Placement of pledged bank deposits		(52,342)	–
Net cash outflow from disposal of subsidiaries	11	(1,579)	(426)
Net cash inflow from disposal of the Disposal Group	14	–	3,557
Interest received		3,431	401
Purchase of available-for-sale investments		(772,200)	(155,095)
Proceeds from disposal of available-for-sale investments		137,451	–
Purchase of property, plant and equipment		(1,619)	(2,533)
Purchase of club debenture		(153)	–
Proceeds from disposal of club debenture		1,241	–
Deposit paid for acquisition of property, plant and equipment		(5,193)	(73)
<b>Net cash outflow from investing activities</b>		<b>(690,963)</b>	<b>(154,169)</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>Cash flows from financing activities</b>			
Advances drawn on bill receivables discounted with full recourse	31	<b>101,121</b>	–
Proceeds from issue of shares	32	<b>1,549,386</b>	295,927
Transaction costs attributable to issue of shares	32	<b>(41,541)</b>	(8,555)
Decrease in amount due to non-controlling interests		–	(24,495)
Interest paid		<b>(409)</b>	(139)
<b>Net cash inflow from financing activities</b>		<b>1,608,557</b>	262,738
<b>Net increase in cash and cash equivalents</b>		<b>69,470</b>	122,421
<b>Cash and cash equivalents at the beginning of the year</b>		<b>302,480</b>	180,059
<b>Cash and cash equivalents at the end of the year represented by bank balances and cash</b>		<b>371,950</b>	302,480

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 1. GENERAL

China Strategic Holdings Limited (the “Company”) is a public limited liability company incorporated in Hong Kong and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is disclosed in the Corporation Information section of this annual report.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

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

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

### New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments <sup>2</sup>
HKFRS 15	Revenue from contracts with customers <sup>2</sup>
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations <sup>1</sup>
Amendments to HKAS 1	Disclosure initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investments entities: Applying the consolidation exception <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle <sup>1</sup>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

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

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2016.
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2018.
- <sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

### HKFRS 9 Financial instruments

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

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

### HKFRS 9 Financial instruments (continued)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported and disclosures made in respect of the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### HKFRS 15 Revenue from contracts with customers

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

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

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

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

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

The directors of the Company do not anticipate that the application of the other new and revised standards and amendments will have a material impact on the consolidated financial statements of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the CO regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Companies Ordinance (Cap. 32) or Listing Rules but not under the CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies are set out below:

### Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition

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

### *Sale of goods*

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

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

### *Service income*

Service income is recognised when services are provided.

### *Dividend and interest income*

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

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

### *Arrangement fee*

Arrangement fee income on loan receivables is deferred and recognised as an adjustment to the effective interest rate on the loan receivables.

### Property, plant and equipment

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

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

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

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

### Leasing

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

#### *The Group as lessee*

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

#### *Leasehold land and building*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period.

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

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

### Borrowing costs

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

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

### Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

### Inventories

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation

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

#### *Current tax*

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

#### *Deferred tax*

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

#### *Current and deferred tax for the year*

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

### Financial instruments

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

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

#### *Financial assets*

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Effective interest method*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "net gain on financial assets at fair value through profit or loss". Fair value is determined in the manner described in note 36.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Financial assets (continued)*

##### *AFS financial assets*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

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

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

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

##### *Loans and receivables*

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

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

##### *Impairment of financial assets*

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Financial assets (continued)*

#### *Impairment of financial assets (continued)*

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

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

For certain categories of financial assets, such as trade and other receivables and loan receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Financial assets (continued)*

#### *Impairment of financial assets (continued)*

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### *Financial liabilities and equity instruments*

#### *Classification as debt or equity*

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

#### *Equity instruments*

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

#### *Financial liabilities*

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

#### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.

#### *Derecognition*

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Derecognition (continued)*

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

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

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

#### **Impairment on tangible assets**

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Equity-settled share-based payment transactions

#### *Share options granted to employees and directors*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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 equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Key sources of estimation uncertainty

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

### Impairment loss on inventories

Inventories are stated at the lower of cost and net realisable value. The estimated net realisable value was arrived based on the management's consideration of obsolete or physically damaged items, life span of inventories, handling and other selling costs. If the estimated net realisable value is lower than cost, a write-down on inventories is recognised in profit or loss. There was no inventories as at 31 December 2015 (2014: the carrying amount of inventories net of accumulated impairment loss is HK\$552,000).

### Impairment loss on loan receivables

Management regularly reviews the recoverability of the loan receivables. Appropriate impairment loss for estimated irrecoverable amount is recognised in profit and loss when there is objective evidence that the amount is not recoverable.

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for the loan receivables that are unlikely to be collected and is recognised on the difference between the carrying amount of loan receivables and the present value of estimated future cash flow discounted using the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of loan receivables is HK\$480,099,000 (2014: HK\$3,036,000).

### Impairment loss on trade receivables

The policy for allowance for bad or doubtful debts of the Group is based on the evaluation of collectability of amounts based on management's estimate. In determining whether impairment loss is required, the Group takes into consideration the likelihood of collection of debts on an individual basis as well as on a collective basis, including the Group's past experience of collecting payments. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original interest rate and the carrying value. As at 31 December 2015, the carrying amount of trade receivables net of allowance for doubtful debts is HK\$3,028,000 (2014: HK\$10,649,000).

### Fair value of financial assets and valuation process

As described in note 36(d), the directors of the Company use their judgment in selecting an appropriate valuation technique for financial assets not quoted in an active market. The fair value of the unlisted debt securities is estimated respectively based on discounted cash flow analysis with assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted debt securities includes some assumptions not supported by observable market prices or rates. The carrying amount of unlisted debt securities as at 31 December 2015 is HK\$775,320,000 (2014: nil). The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 5. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trading of metal minerals	<b>202,241</b>	357,612
Sales of electronic components	<b>7,015</b>	36,383
Dividend income from securities investments	<b>14,768</b>	16,301
Interest income from money lending business	<b>12,525</b>	1,638
Arrangement fee income from money lending business	<b>2,917</b>	5,656
	<b>239,466</b>	417,590

## 6. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the chief operating decision maker ("CODM") representing the Board of Directors of the Company, for the purpose of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised.

The Group's reportable and operating segments under HKFRS 8 are as follows:

1. Investment in securities
2. Trading of metal minerals and electronic components (collectively referred as "Trading")
3. Money lending

Since the CODM considered that the business of sales of electronic components is similar in nature to that of trading of metal minerals, the CODM combined these businesses since 2014 for making decisions about resources allocation and performance assessment.

In the prior year, the Group disposed of its battery products business, which was engaged in the manufacturing and trading of battery products and related accessories. The battery products segment was classified as discontinued operation as described in note 14.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. SEGMENT INFORMATION (continued)

### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

#### For the year ended 31 December 2015

	Continuing operations			Total HK\$'000
	Investment in securities HK\$'000	Trading HK\$'000	Money lending HK\$'000	
<b>Segment revenue</b>				
External sales	14,768	209,256	15,442	239,466
<b>Results</b>				
Segment results	720,121	2,777	14,436	737,334
Gain on disposal of subsidiaries (note 11)				102
Other income				2,907
Other loss				(105)
Central administrative expenses				(46,934)
Finance costs				(409)
Profit before tax				692,895
Income tax expenses				(108,539)
Profit for the year				584,356
<b>Other segment information</b>				
Amortisation of prepaid lease payments	99	-	-	99
Depreciation of property, plant and equipment	580	2	12	594
Net gain on financial assets at fair value through profit or loss	665,601	-	-	665,601
Gain on disposal of AFS investments	36,955	-	-	36,955

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. SEGMENT INFORMATION (continued)

### Segment revenue and results (continued)

For the year ended 31 December 2014

	Continuing operations			Discontinued operation		Total HK\$'000
	Investment in securities HK\$'000	Trading HK\$'000	Money lending HK\$'000	Sub-total HK\$'000	Battery products HK\$'000	
<b>Segment revenue</b>						
External sales	16,301	393,995	7,294	417,590	700	418,290
<b>Results</b>						
Segment results	294,794	6,279	7,684	308,757	(1,225)	307,532
Gain on disposal of subsidiaries (note 11)				7,197	-	7,197
Other income				252	-	252
Central administrative expenses				(41,576)	-	(41,576)
Finance costs				(139)	(2,817)	(2,956)
Profit (loss) before tax				274,491	(4,042)	270,449
Income tax expenses				(1,201)	-	(1,201)
Profit (loss) after tax				273,290	(4,042)	269,248
Gain on disposal of the Disposal Group (note 14)				-	110,571	110,571
Profit for the year				273,290	106,529	379,819
<b>Other segment information</b>						
Amortisation of prepaid lease payments	100	-	-	100	56	156
Depreciation of property, plant and equipment	274	6	7	287	675	962
Net gain on financial assets at fair value through profit or loss	279,066	-	-	279,066	-	279,066

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by/loss from each segment without allocation of gain on disposal of subsidiaries, other income, other loss, central administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. SEGMENT INFORMATION (continued)

### Segment assets and liabilities

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Segment assets</b>		
Investment in securities	<b>2,802,255</b>	952,922
Trading	<b>223,120</b>	244,430
Money lending	<b>483,073</b>	7,183
Total segment assets	<b>3,508,448</b>	1,204,535
Property, plant and equipment	<b>5,087</b>	3,989
Prepaid lease payments	<b>2,867</b>	2,966
Bank balances and cash	<b>66,351</b>	55,838
Other unallocated assets	<b>10,998</b>	4,977
Consolidated assets	<b>3,593,751</b>	1,272,305
<b>Segment liabilities</b>		
Investment in securities	<b>106,514</b>	3,715
Trading	<b>102,387</b>	899
Money lending	<b>1,128</b>	1,264
Total segment liabilities	<b>210,029</b>	5,878
Other payables	<b>8,017</b>	5,883
Income tax payable	<b>4,705</b>	–
Consolidated liabilities	<b>222,751</b>	11,761

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

- all assets are allocated to operating segments other than property, plant and equipment, prepaid lease payments, certain bank balances and cash and certain other assets; and
- all liabilities are allocated to operating segments other than certain other payables and income tax payable.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. SEGMENT INFORMATION (continued)

### Revenue from major products and services

The Group's revenue is arising from investment in securities, trading and money lending businesses.

### Geographical information

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

Information about the Group's revenue from external customers by geographical location of the customers from continuing operations is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets (Note)	
	Year ended 31 December		As at 31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC	<b>202,241</b>	343,314	<b>3,894</b>	4,061
Hong Kong	<b>37,225</b>	74,276	<b>9,782</b>	3,693
	<b>239,466</b>	417,590	<b>13,676</b>	7,754

Note: Non-current assets excluded AFS investments.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 6. SEGMENT INFORMATION (continued)

### Information about major customers

Revenue from 3 customers (2014: 2 customers) of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	For the year ended 31 December	
	2015 HK\$'000	2014 HK\$'000
Customer A <sup>1</sup>	84,567	– <sup>3</sup>
Customer B <sup>1</sup>	63,112	– <sup>3</sup>
Customer C <sup>1</sup>	34,807	– <sup>2</sup>
Customer D <sup>1</sup>	– <sup>3</sup>	215,853
Customer E <sup>1</sup>	– <sup>3</sup>	61,185

<sup>1</sup> Revenue from customers of trading business.

<sup>2</sup> The customer did not contribute over 10% of the total revenue of the Group.

<sup>3</sup> No revenue generated from customers during the year.

All of the revenue from continuing operations is generated from investment in securities, trading and money lending businesses for both years.

## 7. OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
<b>Continuing operations</b>		
Bank interest income	3,431	401
Commission income from trading	1,996	–
Gain on disposal of club debenture	891	–
Service charge from customers and suppliers	–	1,000
Gain on disposal of loan receivables	–	805
Others	158	686
	<b>6,476</b>	<b>2,892</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 8. OTHER GAIN

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Continuing operations</b>		
Exchange gain, net	<u>4,506</u>	<u>162</u>

## 9. NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Continuing operations</b>		
Net unrealised gain on financial assets at FVTPL	623,319	290,845
Net realised gain (loss) on sales of financial asset at FVTPL	<u>42,282</u>	<u>(11,779)</u>
	<u>665,601</u>	<u>279,066</u>

## 10. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Continuing operations</b>		
Interest on advances drawn on bill receivables discounted with full recourse ( <i>note 25</i> )	<u>409</u>	<u>139</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 11. GAIN ON DISPOSAL OF SUBSIDIARIES

### For the year ended 31 December 2015

On 19 June 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest of a group of subsidiaries which was mainly engaged in money lending business previously. The disposal was completed on the same date.

The net assets of the subsidiaries being disposed of at the date of disposal was determined as follows:

	<i>HK\$'000</i>
<b>Net assets disposed of:</b>	
Bank balances and cash	2,854
Other payables	(83)
Income tax payables	(519)
	<u>2,252</u>
Non-controlling interests	(1,079)
Gain on disposal of subsidiaries	102
	<u>1,275</u>
Net proceeds received from disposal of subsidiaries	<u>1,275</u>
<b>Satisfied by:</b>	
Cash consideration	<u>1,275</u>
<b>Net cash outflow from disposal of subsidiaries:</b>	
Cash consideration received	1,275
Bank balances and cash disposed of	(2,854)
	<u>(1,579)</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 11. GAIN ON DISPOSAL OF SUBSIDIARIES (continued)

### For the year ended 31 December 2014

On 4 September 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest of and shareholder's loan to certain subsidiaries which were mainly engaged in investment in securities. The disposal was completed on the same date.

The net assets of the subsidiaries being disposed of at the date of disposal was determined as follows:

	<i>HK\$'000</i>
<b>Net assets disposed of:</b>	
AFS investments	3,095
Financial assets at FVTPL	3,410
Other receivables	139
Bank balances and cash	439
Other payables	(7,070)
	<hr/>
	13
Release of cumulative investment revaluation reserve and other non-distributable reserve upon disposal of subsidiaries	(7,197)
Gain on disposal of subsidiaries	7,197
	<hr/>
Net proceeds received from disposal of subsidiaries	13
	<hr/>
<b>Satisfied by:</b>	
Cash consideration	13
	<hr/>
<b>Net cash outflow from disposal of subsidiaries:</b>	
Cash consideration received	13
Bank balances and cash disposed of	(439)
	<hr/>
	(426)
	<hr/>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 12. INCOME TAX EXPENSES

	2015 HK\$'000	2014 HK\$'000
<b>Continuing operations</b>		
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	10,159	1,217
Over provision in prior year		
– Hong Kong Profits Tax	(620)	(16)
	<b>9,539</b>	1,201
Deferred tax - current year (Note)	<b>99,000</b>	–
Income tax expenses recognised in profit or loss	<b>108,539</b>	1,201

Note: Deferred taxation arises from the temporary difference related to net unrealised gain on financial assets at FVTPL.

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

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK\$'000	2014 HK\$'000
Profit before tax	<b>692,895</b>	274,491
Tax at the domestic income tax rate of 16.5%	<b>114,328</b>	45,291
Tax effect of expenses not deductible for tax purpose	–	28
Tax effect of income not taxable for tax purpose	<b>(11,180)</b>	(51,710)
Over provision in prior year	<b>(620)</b>	(16)
Tax effect of tax loss not recognised	<b>6,269</b>	8,481
Utilisation of tax losses previously not recognised	<b>(258)</b>	(873)
Income tax expenses for the year	<b>108,539</b>	1,201

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 13. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations has been arrived at after charging the following items:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Staff costs		
– directors' emoluments ( <i>note 15</i> )	<b>20,612</b>	17,130
– other staff salaries, wages and other benefits	<b>9,565</b>	4,929
– retirement benefit schemes contributions, excluding directors	<b>588</b>	219
Total staff costs	<b>30,765</b>	22,278
Auditor's remuneration	<b>1,418</b>	1,367
Amortisation of prepaid lease payments	<b>99</b>	100
Depreciation of property, plant and equipment	<b>594</b>	287
Cost of inventories recognised as expense	<b>205,874</b>	386,860

## 14. DISCONTINUED OPERATION

During the year ended 31 December 2014, the Group entered into a sale and purchase agreement to dispose of the entire equity interest and shareholder's loan to certain subsidiaries (the "Disposal Group") to an independent third party at an aggregate cash consideration of HK\$5,000,000. The Disposal Group was mainly engaged in manufacturing and trading of battery products and related accessories. The disposal was completed on 8 May 2014, on which date the Group lost control of the Disposal Group. Accordingly, the disposed battery products operation is presented as discontinued operation.

The profit for the year from discontinued operation was analysed as follows:

	2014 <i>HK\$'000</i>
Revenue	700
Cost of sales	(945)
Other income	339
Administrative expenses	(1,319)
Finance costs	(2,817)
Loss for the year	(4,042)
Gain on disposal of the Disposal Group	110,571
Profit for the year from discontinued operation	106,529

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 14. DISCONTINUED OPERATION (continued)

Profit for the year from discontinued operation had been arrived at after charging the following items:

	2014 HK\$'000
Amortisation of prepaid lease payments	56
Depreciation of property, plant and equipment	675
Cost of inventories recognised as expenses	945
Cash flow from discontinued operation	
Net cash used in operating activities and net cash outflows	(1,318)

The net liabilities of the Disposal Group at the date of disposal was determined as follows:

	HK\$'000
<b>Net liabilities disposed of:</b>	
Property, plant and equipment	7,414
Prepaid lease payments	9,298
Trade receivables	700
Bank balances and cash	1,443
Other payables	(2,506)
Other borrowings	(114,557)
	(98,208)
Non-controlling interests	541
Release of cumulative exchange reserve upon disposal of the Disposal Group	(7,904)
Gain on disposal of the Disposal Group	110,571
Net proceeds received from disposal of the Disposal Group	5,000
<b>Satisfied by:</b>	
Cash consideration	5,000
<b>Net cash inflow from disposal of the Disposal Group:</b>	
Cash consideration received	5,000
Bank balances and cash disposed of	(1,443)
	3,557

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eight (2014: nine) directors, disclosed pursuant to the applicable Listing Rules and CO, were as follows:

	Notes	2015				2014					
		Fee HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Discretionary bonus HK\$'000	Total HK\$'000	Fee HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Discretionary bonus HK\$'000	Total HK\$'000
Executive directors											
- Dr. Or Ching Fai		-	10,400	-	4,000	14,400	-	10,400	17	3,000	13,417
- Mr. Sue Ka Lok	(i)	-	1,430	72	1,000	2,502	-	124	-	-	124
- Mr. Chow Kam Wah		-	1,040	18	350	1,408	-	1,040	17	300	1,357
- Ms. Lee Chun Yeung, Catherine	(ii)	-	1,014	51	39	1,104	-	-	-	-	-
- Mr. Hui Richard Rui	(iii)	-	780	18	-	798	-	780	17	-	797
- Ms. Chiu Ching Ching	(iv)	-	-	-	-	-	-	120	6	-	126
- Ms. Chan Ling, Eva	(v)	-	-	-	-	-	-	903	6	-	909
		-	14,664	159	5,389	20,212	-	13,367	63	3,300	16,730
Independent non-executive directors											
- Ms. Ma Yin Fan		150	-	-	-	150	150	-	-	-	150
- Mr. Chow Yu Chun, Alexander		150	-	-	-	150	150	-	-	-	150
- Mr. Leung Hoi Ying		100	-	-	-	100	100	-	-	-	100
		400	-	-	-	400	400	-	-	-	400
Total		400	14,664	159	5,389	20,612	400	13,367	63	3,300	17,130

The payment of discretionary bonus to executive directors was made under the recommendation of the Remuneration Committee and was at the discretion of the Board of Directors, determined with reference to the director's performance and the Group's performance for the year.

Dr. Or Ching Fai is also the Chairman and the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chairman and the Chief Executive Officer.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

Notes:

- (i) Appointed on 1 December 2014
- (ii) Appointed on 2 February 2015
- (iii) Resigned on 1 March 2016
- (iv) Retired on 20 June 2014
- (v) Resigned on 1 June 2014

During the year, no emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for the both years.

## 16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2014: four) of them were executive directors of the Company whose emoluments are included in note 15 above. The emolument of the remaining one (2014: one) individual was as follows:

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Salaries and other benefits	<b>1,105</b>	486
Retirement benefit scheme contributions	<b>38</b>	17
	<b>1,143</b>	503

The emolument was within the following band:

	<b>Number of individuals</b>	
	<b>2015</b>	2014
Nil – HK\$1,000,000	–	1
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	–
	<b>1</b>	1

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 17. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2015 and 2014, nor has any dividend been proposed since the end of the reporting periods.

## 18. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

### From continuing and discontinued operations

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Earnings:</b>		
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>584,148</u>	<u>376,994</u>
	<b>2015 '000</b>	2014 '000 (Restated)
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share ( <i>Note</i> )	<u>11,628,019</u>	<u>5,975,534</u>

*Note:* The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year has been retrospectively adjusted for the effect of the rights issue completed in August 2015 (*note 32*).

Diluted earnings per share for the year ended 31 December 2015 and 2014 are not presented as there were no dilutive potential ordinary shares in issue during both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 18. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

### From continuing operations

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Earnings:</b>		
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>584,148</u>	<u>270,465</u>
	2015 <i>'000</i>	2014 <i>'000</i> (Restated)
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share ( <i>Note as above</i> )	<u>11,628,019</u>	<u>5,975,534</u>

The denominators used are the same as those detailed above for basic earnings per share.

### From discontinued operation

During the year ended 31 December 2015, there is no basic earnings per share from discontinued operation (2014: basic earnings per share of HK1.78 cents (restated), calculated based on the profit for the year attributable to owners of the Company from discontinued operation of HK\$106,529,000 and the denominators used are the same as those detailed above for basic earnings per share).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 19. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>Cost</b>							
At 1 January 2014	70,057	25,773	8,503	171,246	806	3,174	279,559
Exchange realignment	(1,165)	(222)	(63)	(1,314)	(1)	(27)	(2,792)
Additions	-	-	636	129	1,768	-	2,533
Disposal of the Disposal Group (note 14)	(66,767)	(24,403)	(5,186)	(168,958)	(805)	(3,147)	(269,266)
Disposals	-	(1,148)	-	(887)	-	-	(2,035)
At 31 December 2014	2,125	-	3,890	216	1,768	-	7,999
Additions	-	-	165	37	1,490	-	1,692
<b>At 31 December 2015</b>	<b>2,125</b>	<b>-</b>	<b>4,055</b>	<b>253</b>	<b>3,258</b>	<b>-</b>	<b>9,691</b>
<b>Accumulated depreciation and impairment</b>							
At 1 January 2014	60,618	25,773	7,001	171,246	738	3,174	268,550
Exchange realignment	(34)	(222)	(3)	(1,328)	(1)	(27)	(1,615)
Provided for the year	576	-	264	7	115	-	962
Eliminated on disposal of the Disposal Group (note 14)	(60,229)	(24,403)	(4,310)	(168,958)	(805)	(3,147)	(261,852)
Eliminated on disposals	-	(1,148)	-	(887)	-	-	(2,035)
At 31 December 2014	931	-	2,952	80	47	-	4,010
Provided for the year	68	-	142	19	365	-	594
<b>At 31 December 2015</b>	<b>999</b>	<b>-</b>	<b>3,094</b>	<b>99</b>	<b>412</b>	<b>-</b>	<b>4,604</b>
<b>Carrying values</b>							
<b>At 31 December 2015</b>	<b>1,126</b>	<b>-</b>	<b>961</b>	<b>154</b>	<b>2,846</b>	<b>-</b>	<b>5,087</b>
At 31 December 2014	1,194	-	938	136	1,721	-	3,989

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 19. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Buildings	Over the shorter of the term of the lease of 40-50 years or 2.5%
Leasehold improvements	Over the shorter of the term of the lease of 40-50 years or 5% – 10%
Furniture and fixtures	5% – 25%
Machinery and equipment	10% – 20%
Motor vehicles	12.5% – 25%

At 31 December 2015 and 2014, the buildings of the Group are situated on land in the PRC.

### 20. PREPAID LEASE PAYMENTS

	2015 HK\$'000	2014 HK\$'000
Analysed for reporting purpose as:		
Current asset	99	99
Non-current asset	2,768	2,867
	<b>2,867</b>	<b>2,966</b>

The Group's prepaid lease payments represent payments for land use rights in the PRC.

### 21. CLUB DEBENTURES

The club debentures represent the club membership of two private clubs in Hong Kong. The directors are of opinion that it is not necessary to make any impairment on the club debentures since the quoted prices are higher than their carrying values.

### 22. AVAILABLE-FOR-SALE INVESTMENTS

AFS investments comprise:

	2015 HK\$'000	2014 HK\$'000
Unlisted investments, at fair value:		
– Debt securities	775,320	–
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	71,500	155,782
	<b>846,820</b>	<b>155,782</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 22. AVAILABLE-FOR-SALE INVESTMENTS (continued)

During the year ended 31 December 2015, the Group invested about HK\$772,200,000 for a 9% perpetual securities in the aggregate principal amount of US\$100,000,000 issued by a listed company in Hong Kong. Besides, the Group disposed certain of the equity securities listed in Hong Kong, the cumulative gain of HK\$36,955,000 previously accumulated in the investment revaluation reserve is reclassified to profit or loss accordingly.

During the year ended 31 December 2014, the Group invested about HK\$155,095,000 to subscribe for 20,310,500 H shares of Shengjing Bank Co., Ltd., a commercial bank in the PRC and listed on the Stock Exchange.

At the end of the reporting period, AFS investments are stated at fair values, in which listed equity securities have been determined with reference to closing prices quoted in active markets, whereas the fair value of unlisted debt securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities. The fair value of unlisted debt securities is within level 2 of the fair value hierarchy.

## 23. DEPOSIT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2015 and 2014, the amounts represent the deposit paid for the acquisition of a vessel and a motor vehicle respectively and the related capital commitments are disclosed in note 39.

## 24. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Electronic components	–	552

## 25. TRADE AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	3,028	10,649
Bill receivables	387	32,096
Bill receivables discounted with full recourse	101,121	–
Payment for subscription of listed securities	–	12,652
Other receivables	10,397	9,519
	<b>114,933</b>	<b>64,916</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 25. TRADE AND OTHER RECEIVABLES (continued)

The Group normally allows credit period for trade customers ranging from 30 days to 180 days (2014: 30 days to 180 days). The following is an aged analysis of trade and bill receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 90 days	48,020	42,745
91 – 180 days	54,575	–
Over 180 days	1,941	–
	<b>104,536</b>	<b>42,745</b>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limit. Credit sales are made to customers with appropriate credit history. Credit limits attributed to customers are reviewed regularly.

At the end of the reporting periods, the directors considered the trade and bill receivables which were neither past due nor impaired related to customers were of good credit quality.

#### Bill receivables discounted with full recourse

The amounts represent bill receivables discounted to bank with full recourse with a maturity period of less than 180 days (2014: nil). The Group recognises the full amount of the discount proceeds as liabilities as set out in note 31.

The following were the Group's financial assets as at 31 December 2015 and 2014 that were transferred to bank by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (note 31). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Carrying amount of transferred assets	101,121	–
Carrying amount of associated liabilities	(101,121)	–
Net position	–	–

Included in other receivables are unrestricted deposits of approximately HK\$4,647,000 (2014: HK\$3,710,000) placed with securities brokers for trading securities in Hong Kong. The remaining balance of other receivables represents mainly prepayment and deposit for office use.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 25. TRADE AND OTHER RECEIVABLES (continued)

The amounts of the Group's trade and other receivables denominated in currencies other than functional currencies of the Group are set out below:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
United States dollars ("US\$")	<u>104,536</u>	<u>42,745</u>

## 26. LOAN RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Fixed-rate loan receivables	<u>480,099</u>	<u>3,036</u>
Analysed as:		
Current portion	<u>480,099</u>	3,036
Non-current portion	<u>–</u>	<u>–</u>
	<u>480,099</u>	<u>3,036</u>

During the year ended 31 December 2015, the range of interest rate on the Group's loan receivables is 10% to 24% per annum (2014: 0.81% to 18% per annum).

Before granting loans to outsiders, the Group uses internal credit assessment process to assess the potential borrower's credit quality and defines its credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment also includes evaluation of collectability and ageing analysis of accounts and on management's judgment, including the current creditworthiness, collateral and past collection history of each borrower.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date of credit was initially granted up to the reporting date. This includes assessing the credit history of the business, such as financial difficulties or default in payments and current market conditions.

The loan receivables included a total carrying amount of HK\$480,099,000 (2014: HK\$3,036,000) which are neither past due nor impaired at the reporting date, for which the Group believes that the amounts are considered recoverable given the fair values of the pledged securities or properties are sufficient to cover the entire balance on individual basis.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 26. LOAN RECEIVABLES (continued)

At the end of each reporting date, the Group's loan receivables were individually assessed for impairment. As at 31 December 2015 and 2014, no impairment loss was identified.

The Group has concentration of credit risk as 75% (2014: 100%) of the total loans as at 31 December 2015 was due from three borrowers (2014: one). The balance due from these three borrowers (2014: one) is in an aggregate amount of HK\$358,752,000 (2014: HK\$3,036,000) as at 31 December 2015, which is neither past due nor impaired, is fully secured by pledged securities with fair values of HK\$761,332,000. The Group believes that the amounts are considered recoverable given the fair values of the pledged securities are sufficient to cover the entire balance.

No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of money lending.

### 27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$'000	2014 HK\$'000
Held for trading, at fair value:		
Equity securities listed in Hong Kong (Note (i))	1,693,832	737,686
Unlisted debt securities (Note (ii))	20,000	–
	<b>1,713,832</b>	<b>737,686</b>

Notes:

- (i) The fair values of the listed equity securities were determined based on the quoted market closing prices available on the Stock Exchange.
- (ii) The fair values of the unlisted debt securities were determined based on the quoted market prices in the over-the-counter market.

As at 31 December 2015 and 2014, no financial assets at FVTPL have been pledged as security.

As at the date of approval of the consolidated financial statements, the market value of the Group's financial assets of FVTPL stated above was approximately HK\$1,485,303,000 (2014: HK\$564,844,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 28. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances and cash comprise cash and short-term bank deposits with an original maturity of three months or less held by the Group. The amounts carry interest ranging from 0.01% to 0.6% (2014: 0.01% to 1.1%) per annum.

The amounts of the Group's bank balances and cash denominated in currencies other than functional currencies of the Group are set out below:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
US\$	<b>60,981</b>	145,889

Pledged bank deposits represents deposits pledged to banks to secure the banking facilities granted to the Group. Deposit amounting to HK\$27,332,000 (2014: nil) has been pledged to a bank to comply with the minimum deposit requirement for the undrawn credit facilities on issuance of letters of credit. Deposit amounting to HK\$25,010,000 (2014: nil) has been pledged to another bank to secure the letters of credit issued. The pledged bank deposits will be released upon settlement of relevant letters of credit and therefore classified as a current asset.

## 29. TRADE AND OTHER PAYABLES

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	–	7
Accrued charges and other payables	<b>9,383</b>	6,650
	<b>9,383</b>	6,657

As at 31 December 2015, there are no trade payable (2014: HK\$7,000). The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 90 days	–	7

The average credit period is 30 days for both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 30. DEFERRED TAXATION

The followings are the major deferred tax liabilities and movement thereon during the current year:

	<b>Temporary difference related to unrealised gain on financial assets at FVTPL HK\$'000</b>
At beginning of year	–
Charged to the profit or loss ( <i>note 12</i> )	99,000
At 31 December 2015	99,000

As at 31 December 2015, the Group had tax losses arising in Hong Kong of approximately HK\$236,630,000 (2014: HK\$200,200,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

## 31. BANK BORROWINGS

	<b>2015 HK\$'000</b>	2014 HK\$'000
Advances drawn on bill receivables discounted with full recourse	101,121	–

The amount represents the Group's borrowings secured by the bill receivables discounted to bank with full recourse (*note 25*), and the amount is repayable within one year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 32. SHARE CAPITAL OF THE COMPANY

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 January 2014		
– Ordinary shares of HK\$0.1 each	200,000,000	20,000,000
At 31 December 2014 and <b>31 December 2015</b> (Note (i))	<b>N/A</b>	<b>N/A</b>
Issued and fully paid:		
At 1 January 2014		
– Ordinary shares of HK\$0.1 each	3,699,184	369,918
Transfer upon abolition of par value under the CO (Note (i))	–	847,742
Issue of shares (Note (ii))	2,959,292	295,927
Transaction costs attributable to issue of shares (Note (ii))	–	(8,555)
At 31 December 2014		
– Ordinary shares with no par value	6,658,476	1,505,032
Issue of shares (Note (iii))	10,329,238	1,549,386
Transaction costs attributable to issue of shares (Note (iii))	–	(41,541)
<b>At 31 December 2015</b>	<b>16,987,714</b>	<b>3,012,877</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 32. SHARE CAPITAL OF THE COMPANY (continued)

Notes:

- (i) Par value of the Company's shares is retired and the relevant concepts of nominal value, share premium, special capital reserve, capital redemption reserve are abolished upon the commencement of the CO on 3 March 2014.
- (ii) On 5 September 2014, the Company completed a placing of 739,800,000 new shares under the general mandate at a placing price of HK\$0.16 per placing share. The net proceeds from the placing, after deducting directly attributable costs of HK\$3,059,000, were approximately HK\$115,309,000. Details of which were set out in the announcement of the Company dated 19 August 2014.

On 15 December 2014, the Company completed an issue and allotment of 2,219,491,963 rights shares at a subscription price of HK\$0.08 per rights share. The net proceeds from the rights issue, after deducting directly attributable costs of HK\$5,496,000, were approximately HK\$172,063,000. Details of which were set out in the announcement of the Company dated 22 October 2014 and the prospectus of the Company dated 20 November 2014.

- (iii) On 20 August 2015, the Company completed an issue and allotment of 3,329,237,945 rights shares at a subscription price of HK\$0.15 per rights share. The net proceeds from the rights issue, after deducting directly attributable costs of HK\$13,389,000, were approximately HK\$485,997,000. Details of which were set out in the announcement of the Company dated 20 May 2015, circular of the Company dated 29 June 2015 and prospectus of the Company dated 29 July 2015.

On the same date, the Company completed a placing of 7,000,000,000 new shares under the specific mandate at a placing price of HK\$0.15 per placing share. The net proceeds from the placing, after deducting directly attributable costs of HK\$28,152,000, were approximately HK\$1,021,848,000. Details of which were set out in the announcement of the Company dated 20 May 2015 and circular of the Company dated 29 June 2015.

All ordinary shares issued during the year rank *pari passu* with the then existing ordinary shares in all respects.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 33. FINANCIAL INFORMATION OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	2,054	2,225
Prepaid lease payments	2,768	2,867
Club debentures	475	825
Total non-current assets	<u>5,297</u>	<u>5,917</u>
<b>Current assets</b>		
Prepaid lease payments	99	99
Amounts due from subsidiaries	2,712,305	1,068,417
Other receivables, deposits and prepayments	1,084	2,053
Bank balances and cash	62,788	47,281
Total current assets	<u>2,776,276</u>	<u>1,117,850</u>
<b>Current liabilities</b>		
Accrued charges and other payables	5,809	4,915
Amounts due to subsidiaries	118,433	4,562
Income tax payable	4,705	–
Total current liabilities	<u>128,947</u>	<u>9,477</u>
<b>Net current assets</b>	<u>2,647,329</u>	<u>1,108,373</u>
<b>Net assets</b>	<u>2,652,626</u>	<u>1,114,290</u>
<b>Capital and reserves</b>		
Share capital (note 32)	3,012,877	1,505,032
Reserves (Note)	(360,251)	(390,742)
<b>Total equity</b>	<u>2,652,626</u>	<u>1,114,290</u>

The Company's statement of financial position is approved and authorised for issue by the Board of Directors on 30 March 2016 and is signed on its behalf by:

**Dr. Or Ching Fai**  
Director

**Sue Ka Lok**  
Director

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 33. FINANCIAL INFORMATION OF THE COMPANY (continued)

Note: Movement in the Company's reserves

	Share premium HK\$'000	Special capital reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2014	846,242	1,267	233	(568,720)	279,022
Profit for the year and total comprehensive income for the year	-	-	-	177,978	177,978
Transfer upon abolition of par value under the CO (note 32)	(846,242)	(1,267)	(233)	-	(847,742)
At 31 December 2014	-	-	-	(390,742)	(390,742)
Profit for the year and total comprehensive income for the year	-	-	-	30,491	30,491
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(360,251)</b>	<b>(360,251)</b>

The special capital reserve of the Company represented the amount arising from the capital reduction carried out by the Company during the year ended 31 December 2001.

### 34. SHARE-BASED PAYMENT TRANSACTIONS

#### Share option scheme

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 10 June 2011. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Company to grant options to participants as incentives or rewards for their contribution to the Company and/or the subsidiaries of the Company. Eligible participants of the Share Option Scheme include any employee (whether full time or part time), executives or officers of the Company or any of the subsidiaries of the Company (including executive and non-executive directors of the Company) and any business consultants, agents, financial or legal advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of the subsidiaries of the Company. The offer of a grant of share options may be accepted until the 21st days inclusive of, and from, the date of grant, provided that no such offer shall be open for acceptance after the expiry of the period of ten years commencing on the adoption date of the Share Option Scheme or after the Share Option Scheme has been terminated. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK\$1.00.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

### Share option scheme (continued)

The subscription price for the shares on the exercise of options under the Share Option Scheme shall be a price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but in any case the subscription price shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; or (iii) the nominal value of a share (if any). The exercise period of the share options granted is determinable by the Board but in any event, not longer than ten years from the date of grant.

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue as at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such participant and his/her associates abstaining from voting.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company (excluding lapsed and cancelled options) must not exceed 30% of the total number of the shares in issue from time to time. In addition, the total number of the shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the shares in issue as at the date of approval of the Share Option Scheme (the "Scheme Mandate Limit") or as at the date of the approval of the refreshed Scheme Mandate Limit as the case maybe.

No share options has been granted under the Share Option Scheme since its adoption and up to the date of this annual report. The total number of shares of the Company available for issue under the Share Option Scheme is 369,918,392 shares, representing 10% of the issued shares of the Company as at the date of adoption of the Share Option Scheme and representing approximately 2.18% of the issued shares of the Company as at the date of this annual report.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 35. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which include bank advances for discounted bills as disclosed in note 31, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and other sources of funds other than issuance of shares, including bank borrowings. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues, raising or repayment of borrowings.

## 36. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	<b>1,013,724</b>	365,508
AFS investments	<b>846,820</b>	155,782
FVTPL – Held for trading	<b>1,713,832</b>	737,686
<b>Financial liabilities</b>		
Amortised cost	<b>101,517</b>	7

### b. Statement of profit or loss and other comprehensive income

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Financial assets at FVTPL</b>		
– Held for trading		
Fair value changes	<b>665,601</b>	255,871
– Designated at FVTPL		
Fair value changes	<b>–</b>	23,195

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 36. FINANCIAL INSTRUMENTS (continued)

### c. Financial risk management objectives and policies

The management of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk, price risk and foreign currency risk), credit risk and liquidity risk.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

#### *Market risk*

##### *(i) Interest rate risk management*

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management of the Group will consider hedging significant interest rate risk exposure if the need arises.

The Group is exposed to fair value interest rate risk in relation to debt securities classified as AFS investments and financial assets at FVTPL as set out in notes 22 and 27.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. It is the policy of the Group to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. Sensitivity analysis was prepared, except for bank balances, since the directors consider the amount involved is not significant.

The exposures of the Group to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The cash flow interest rate risk of the Group is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from bank borrowings.

#### *Sensitivity analysis for interest rate risk*

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank borrowings at the end of the reporting period. The analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, profit after tax for the year ended 31 December 2015 of the Group would decrease/increase by HK\$422,000 (2014: nil) as a result of changes in interest rate of the bank borrowings.

In management's opinion, the above sensitivity analysis is for illustrative purpose only and is unrepresentative of the inherent interest rate risk facing by the Group as the year end exposure does not reflect the exposure during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 36. FINANCIAL INSTRUMENTS (continued)

### c. Financial risk management objectives and policies (continued)

#### *Market risk (continued)*

##### *(ii) Price risk management*

The Group is exposed to equity and other price risks through its investments in AFS investments and financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity and other price risks are mainly concentrated on listed equity securities and unlisted debt securities.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 10% (2014: 10%) in the current year.

If the prices of the respective listed equity securities had been 10% (2014: 10%) higher/lower:

- profit after tax for the year ended 31 December 2015 would increase/decrease by HK\$141,435,000 (2014: HK\$61,597,000) as a result of the changes in fair value of listed equity securities; and
- total comprehensive income for the year ended 31 December 2015 would increase/decrease by HK\$7,150,000 (2014: HK\$15,578,000) as a result of the changes in fair value of AFS investments.

The Group's sensitivity to equity price risk has increased during the year mainly due to the increase in the investment in equity securities.

In management's opinion, the above sensitivity analysis is for illustrative purpose only and is unrepresentative of the inherent equity price risk facing by the Group as the year end exposure does not reflect the exposure during the year.

##### *(iii) Foreign currency risk management*

Most of the Group's transactions are denominated in the group entities' functional currency, which is either US\$, Renminbi or HK\$.

The Group is mainly exposed to foreign currency risk in relation to US\$ arising from foreign currency bank balances and cash and trade and other receivables.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 36. FINANCIAL INSTRUMENTS (continued)

### c. Financial risk management objectives and policies (continued)

#### Market risk (continued)

#### (iii) Foreign currency risk management (continued)

The carrying amounts of the major foreign currency denominated monetary assets at the reporting date are as followings:

Assets	2015 HK\$'000	2014 HK\$'000
US\$	<u>165,517</u>	<u>188,634</u>

Under the pegged exchange rate system, the financial impact on exchange difference between HK\$ and US\$ will be immaterial as most US\$ denominated monetary assets are held by group entities having HK\$ as their functional currency, and therefore no sensitivity analysis has been prepared.

The Group has not formulated a policy to hedge the foreign currency risk. No sensitivity analysis was prepared since the directors consider the amount involved is not significant.

#### Credit risk

As at 31 December 2015, the maximum exposure of the Group to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

- the cash held in financial institutions; and
- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limit, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The Group has concentrations of credit risk comprising deposits placed at two (2014: three) financial institutions for the Group's investment in securities business of HK\$3,613,000 (2014: HK\$2,711,000) which represents, approximately 78% (2014: 73%) of the Group's deposit placed with securities brokers. The management of the Group considered the credit risk on such balances held at financial institutions is limited because they are with good reputation.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 36. FINANCIAL INSTRUMENTS (continued)

#### c. Financial risk management objectives and policies (continued)

##### *Credit risk (continued)*

The Group is exposed to credit risk in respect of its loan receivables. As at 31 December 2015, the carrying amount of loan receivables is HK\$480,099,000 (2014: HK\$3,036,000). The Group has concentration of credit risk as 75% of the total loans (2014: 100%) as at 31 December 2015 was due from three borrowers (2014: one). The balance due from these three borrowers is in an aggregate amount of HK\$358,752,000 (2014: HK\$3,036,000) as at 31 December 2015, which is neither past due nor impaired, of which the whole amount is considered recoverable given the collateral is sufficient to cover the entire balance on individual basis. The Group seeks to maintain strict control over its outstanding loan receivables to minimise credit risk. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. Impairment allowances on outstanding loan receivables are determined by an evaluation of financial background, as well as financial condition of and the anticipated receipts for that individual account, at the end of the reporting period.

At 31 December 2015, 100% (2014: 100%) of the Group's trade receivables were due from four (2014: three) customers within the trading business in Hong Kong and the PRC. The management performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant. The experience in the collection of trade receivables falls within the expectation of the directors. The management currently is seeking new customer base to explore the market in order to reduce the reliance on the several major customers, and also mitigate concentrations of credit risk.

The credit risk on investments in unlisted debt securities is limited because the counterparties are corporations with good reputations.

The credit quality of the unlisted debt securities included in AFS investments and financial assets at FVTPL as set out in notes 22 and 27, determined by external credit-ratings assigned by Moody's and analysed by percentages of the fair value of the debt instruments in each grade of credit-rating on the issuer over the total fair value of the unlisted debt securities at the end of the reporting period, is as follows:

	2015 %	2014 %
B2	97.49	N/A
P-1	2.51	N/A
	<b>100.00</b>	N/A

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 36. FINANCIAL INSTRUMENTS (continued)

### c. Financial risk management objectives and policies (continued)

#### *Credit risk (continued)*

The Group has concentration of credit risk on unlisted debt securities for its AFS investments and financial assets at FVTPL as they are issued by two independent third parties (2014: nil). The management of the Group considers that the credit risk on AFS investments and financial assets at FVTPL held is limited as they were issued by companies with good reputations.

The Group does not have significant concentration of credit risk on investment in listed securities as counterparties are diversified.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Other than the above, the Group does not have other significant concentration of credit risk.

#### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

The following tables show details of the non-derivative financial assets and liabilities of the Group. For non-derivative financial assets, the table has been drawn up based on the undiscounted cash flows of the financial assets including interest that will be earned on those assets. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 36. FINANCIAL INSTRUMENTS (continued)

### c. Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

#### Liquidity tables

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>As at 31 December 2015</b>						
<b>Non-derivative financial assets</b>						
Loan and other receivables (including cash and cash equivalents)	6.6	433,753	178,596	434,736	1,047,085	1,013,724
AFS investments	-	846,820	-	-	846,820	846,820
FVTPL – Held for trading	-	1,713,832	-	-	1,713,832	1,713,832
		<u>2,994,405</u>	<u>178,596</u>	<u>434,736</u>	<u>3,607,737</u>	<u>3,574,376</u>
<b>Non-derivative financial liabilities</b>						
Trade and other payables	-	396	-	-	396	396
Bank borrowings	1.8	-	54,018	47,638	101,656	101,121
		<u>396</u>	<u>54,018</u>	<u>47,638</u>	<u>102,052</u>	<u>101,517</u>
<b>As at 31 December 2014</b>						
<b>Non-derivative financial assets</b>						
Loan and other receivables (including cash and cash equivalents)	0.2	327,051	38,457	-	365,508	365,508
AFS investment	-	155,782	-	-	155,782	155,782
FVTPL – Held for trading	-	737,686	-	-	737,686	737,686
		<u>1,220,519</u>	<u>38,457</u>	<u>-</u>	<u>1,258,976</u>	<u>1,258,976</u>
<b>Non-derivative financial liabilities</b>						
Trade and other payables	-	7	-	-	7	7

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 36. FINANCIAL INSTRUMENTS (continued)

### c. Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

#### Liquidity tables (continued)

The cash flow of variable interest rate instruments is based on the rate outstanding at the end of the reporting period.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those of interest rates determined at the end of the reporting period.

### d. Fair value measurements of financial instruments

#### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	31 December 2015 HK\$'000	31 December 2014 HK\$'000			
<b>1) Financial assets at FVTPL</b>					
Listed equity securities	1,693,832	737,686	Level 1	Quoted bid prices in an active market	N/A
Unlisted debt securities	20,000	-	Level 2	Quoted prices in over-the-counter markets	N/A
<b>2) AFS investments</b>					
Listed equity securities	71,500	155,782	Level 1	Quoted bid prices in an active market	N/A
Unlisted debt securities	775,320	-	Level 2	Discounted rate determined by reference to the listed bonds in similar rating	N/A



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 36. FINANCIAL INSTRUMENTS (continued)

### d. Fair value measurements of financial instruments (continued)

#### *Fair value hierarchy*

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 31 December 2015</b>				
<b>Financial assets at FVTPL</b>				
Listed equity securities	1,693,832	–	–	1,693,832
Unlisted debt securities	–	20,000	–	20,000
<b>AFS investments</b>				
Listed equity securities	71,500	–	–	71,500
Unlisted debt securities	–	775,320	–	775,320
<b>As at 31 December 2014</b>				
<b>Financial assets at FVTPL</b>				
Listed equity securities	737,686	–	–	737,686
<b>AFS investment</b>				
Listed equity securities	155,782	–	–	155,782

There was no transfer between Level 1, 2 and 3 for both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 36. FINANCIAL INSTRUMENTS (continued)

### d. Fair value measurements of financial instruments (continued)

#### Reconciliation of Level 3 fair value measurements of financial assets

	<b>Unlisted convertible notes investment</b> <i>HK\$'000</i>
At 1 January 2014	8,205
Change in fair value ( <i>Note</i> )	23,195
Converted into listed securities	(31,400)
At 31 December 2014	–

*Note:* For the year ended 31 December 2014, change in fair value of HK\$23,195,000 related to the unlisted convertible notes investment designated as at FVTPL is included in “Net gain on financial assets at fair value through profit or loss” in the statement of profit or loss and other comprehensive income.

## 37. OPERATING LEASES

### The Group as lessee

The Group made approximately HK\$8,774,000 (2014: HK\$8,775,000) minimum lease payments under operating leases during the year in respect of certain of its office premises.

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	<b>8,082</b>	8,232
In the second to fifth years, inclusive	<b>8,082</b>	8,082
	<b>16,164</b>	16,314

Operating lease payments represented rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of one to three years (2014: one to three years) and rentals are fixed for an average of one to three years (2014: one to three years).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 38. PLEDGE OF ASSETS

At 31 December 2015, bill receivables amounting to HK\$101,121,000 (2014: nil) have been pledged to bank by way of a floating charge.

In addition, as disclosed in note 28, the Group's credit facilities on issuance of letters of credit were secured by the Group's bank deposits of HK\$52,342,000 (2014: nil).

## 39. CAPITAL COMMITMENTS

	2015 HK\$'000	2014 HK\$'000
Contracted for but not provided in the consolidated financial statements in respect of:		
– property, plant and equipment	20,772	654
– a subsidiary (note 43)	16,000	–
	<b>36,772</b>	<b>654</b>

## 40. RELATED PARTY DISCLOSURES

### Compensation of key management personnel

The remuneration of directors who are also identified as members of key management during the years was as follows:

	2015 HK\$'000	2014 HK\$'000
Short-term benefits	20,453	17,067
Post-employment benefits	159	63
	<b>20,612</b>	<b>17,130</b>

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the competence, performance and experience of individuals and prevailing market terms.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 41. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) for all qualifying employees in Hong Kong under the Mandatory Provident Fund Scheme Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

The employees in the Group’s wholly-owned subsidiaries in the PRC were members of the state-sponsored pension scheme operated by the government in the PRC. The wholly owned subsidiaries were required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme was to make the required contributions under the scheme. The amount of contributions payable to the pension schemes were charged to the statement of profit or loss and other comprehensive income. During the year ended 31 December 2014, all the PRC subsidiaries had been disposed of. No PRC subsidiary was held by the Group as at 31 December 2015 and 2014.

The total costs charged to the statement of profit or loss and other comprehensive income of approximately HK\$747,000 (2014: HK\$282,000) represent contributions payable to this/these scheme(s) by the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 42. PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and operation	Class of shares held	Issued and fully paid ordinary share capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
				31 December 2015		31 December 2014		
				Direct %	Indirect %	Direct %	Indirect %	
China Strategic Management Limited	Hong Kong ("HK")	Ordinary	HK\$1	-	100	-	100	Provision of management service
China Strategic Metal and Minerals Limited	HK	Ordinary	HK\$1	-	100	-	100	Trading of metal minerals
CS Credit Limited (formerly known as Presitige Faith Finance Limited)	HK	Ordinary	HK\$1	-	100	-	100	Money lending
First Pacific Finance Limited	HK	Ordinary	HK\$10,000	-	-	-	51	Money lending
Glory Legacy Asia Limited	British Virgin Islands ("BVI")	Ordinary	US\$99,000,001	-	100	-	-	Investment in securities
Guide Plus Investments Limited	HK	Ordinary	HK\$1	-	100	-	100	Investment in securities
Max Talent Investments Limited	HK	Ordinary	HK\$1	-	100	-	100	Sales of electronic components
Prospect Vantage Holdings Limited	BVI	Ordinary	US\$1	-	100	-	100	Investment in securities
Rich Crown Investments Limited	HK	Ordinary	HK\$439,506,046 (2014: HK\$1)	-	100	-	100	Investment in securities
U Credit (HK) Limited	HK	Ordinary	HK\$1	-	100	-	100	Money lending

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 42. PRINCIPAL SUBSIDIARIES (continued)

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

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities and places of these subsidiaries are summarised as follows:

Principal activities of business	Principal places	Number of subsidiaries	
		2015	2014
Investment holding	BVI	12	14
Inactive	BVI	7	8
Inactive	HK	4	5
		<b>23</b>	<b>27</b>

## 43. EVENTS AFTER THE REPORTING PERIOD

On 22 February 2016, the Group completed its acquisition of Harmony Securities Limited (now known as CS Wealth Securities Limited), a registered financial institution licensed by the Securities and Futures Commission under the Securities and Futures Ordinance to carry out securities brokerage business, at a consideration of approximately HK\$18,312,000.

## Five-Year Financial Summary

### RESULTS

	For the year ended 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Continuing operations</b>					
Revenue	<b>239,466</b>	417,590	109,479	–	–
Profit (loss) before taxation	<b>692,895</b>	274,491	(7,401)	(80,471)	(56,942)
Taxation	<b>(108,539)</b>	(1,201)	(403)	–	–
Profit (loss) for the year from continuing operations	<b>584,356</b>	273,290	(7,804)	(80,471)	(56,942)
<b>Discontinued operation</b>					
Profit (loss) for the year from discontinued operation	–	106,529	(9,887)	(10,230)	(13,525)
Profit (loss) for the year	<b>584,356</b>	379,819	(17,691)	(90,701)	(70,467)
Attributable to:					
Owners of the Company	<b>584,148</b>	376,994	(15,398)	(90,612)	(70,131)
Non-controlling interests	<b>208</b>	2,825	(2,293)	(89)	(336)
	<b>584,356</b>	379,819	(17,691)	(90,701)	(70,467)

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Total assets	<b>3,593,751</b>	1,272,305	767,643	761,037	839,426
Total liabilities	<b>(222,751)</b>	(11,761)	(161,267)	(136,457)	(123,314)
	<b>3,371,000</b>	1,260,544	606,376	624,580	716,112
Equity attributable to owners of the Company	<b>3,371,000</b>	1,259,673	608,871	624,787	716,230
Non-controlling interests	–	871	(2,495)	(207)	(118)
	<b>3,371,000</b>	1,260,544	606,376	624,580	716,112