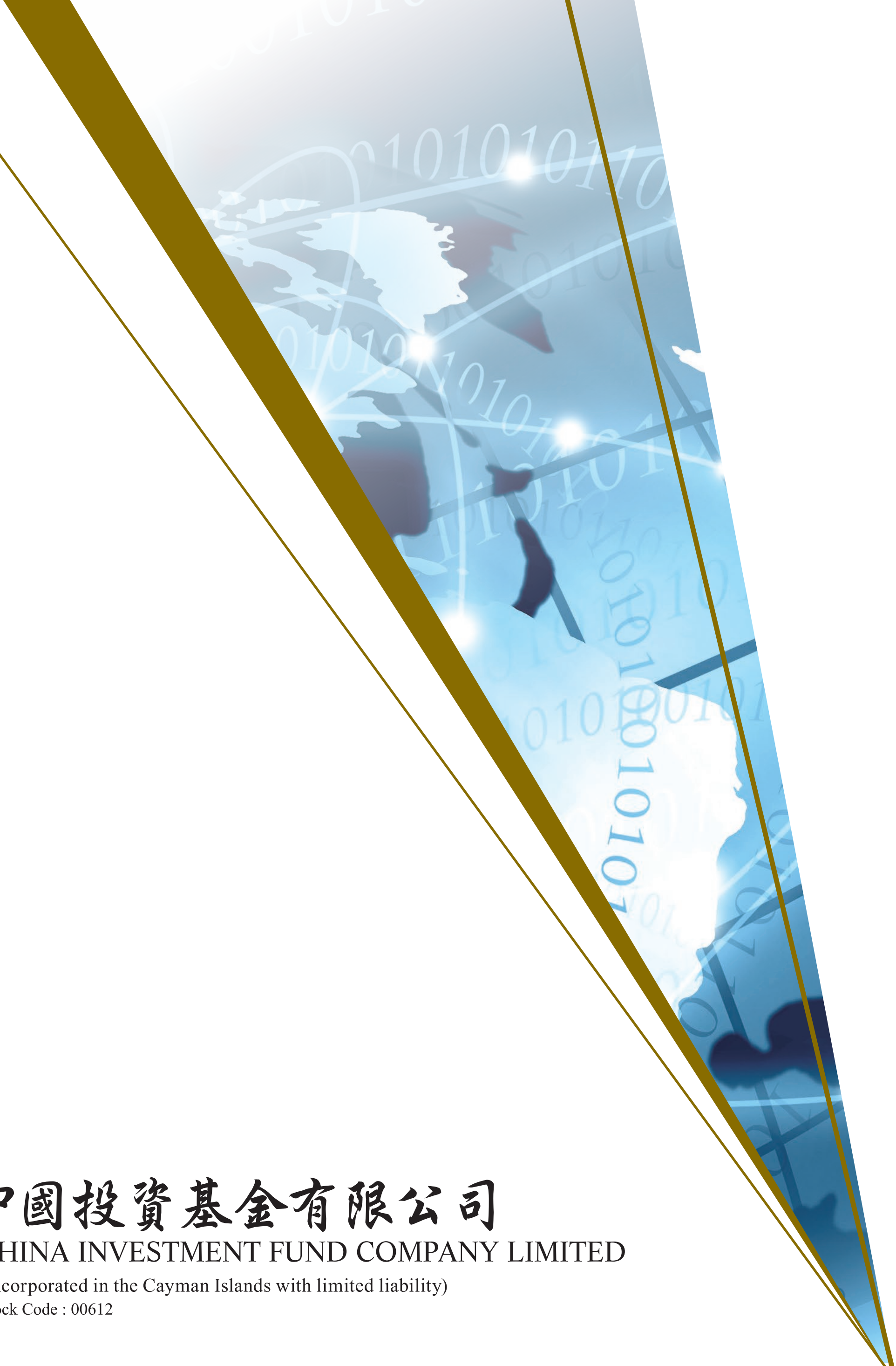

中國投資基金有限公司

CHINA INVESTMENT FUND COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00612

2015 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Luk Hong Man, Hammond *(Chief Executive Officer & Financial Controller)*
Mr. Zhang Xi *(Chief Investment Officer)*

Non-executive Directors

Mr. Sui Guangyi *(Chairman)*

Independent Non-executive Directors

Ms. Jing Siyuan
Ms. Li Jiangtao
Mr. Zhang Aimin

COMPANY SECRETARY

Ms. Hong Lai Ping

AUDIT COMMITTEE

Ms. Jing Siyuan *(Chairman)*
Mr. Zhang Aimin

REMUNERATION COMMITTEE

Mr. Zhang Aimin *(Chairman)*
Ms. Jing Siyuan
Mr. Zhang Xi

NOMINATION COMMITTEE

Ms. Jing Siyuan *(Chairman)*
Mr. Luk Hong Man, Hammond
Mr. Zhang Aimin

RISK MANAGEMENT COMMITTEE

Mr. Zhang Aimin *(Chairman)*
Mr. Luk Hong Man, Hammond
Ms. Jing Siyuan
Mr. Yang Ja Wah (non-Board member)

INVESTOR RELATIONS COMMITTEE

Ms. Jing Siyuan *(Chairman)*
Mr. Sui Guangyi
Mr. Zhang Aimin

CUSTODIAN

DBS Bank Ltd. Hong Kong Branch
18/F, The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
G/F, The Center
99 Queen's Road Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

AUDITOR

HLM CPA Limited
Certified Public Accountants
Room 305
Arion Commercial Centre
2–12 Queen's Road West
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2701, 27th Floor
One International Finance Centre
No. 1 Harbour View Street
Central
Hong Kong

STOCK CODE

00612 (Listed on the Main Board of The Stock Exchange of Hong Kong Limited)

WEBSITE

www.cifund.com.hk

Management Discussion and Analysis

I am pleased to present the annual report of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

BUSINESS REVIEW

The Group is principally engaged in investment in both listed and unlisted securities.

In 2015, the global financial markets were subjected to a wide range of instability factors, including high volatility of stock markets, economic slowdown in China, sharp drop in oil, gold and other commodities, interest rates raised by US Federal Reserve while the European Central Bank, the Bank of Japan and the People's Bank of China were taking an opposite direction to continue and further expand their financial easing policies. Under the uncertain investment environment, the Directors have taken cautiously defensive measures and prudent investment strategy to manage the Group's investment portfolio.

For the year ended 31 December 2015, the Group recorded a net loss of approximately HK$92,698,000 (2014: approximately HK$35,599,000), representing an increase in net loss of approximately HK$57,099,000 or 160% as compared to last year. The loss was mainly due to impairment loss on available-for-sale financial assets and the increase in administrative expenses.

SECURITIES INVESTMENTS

The Board exercised caution while actively managing its investment portfolio. Given the severe fluctuation of global financial market seen last year, the Board seeks to diversify its investments in listed and unlisted securities in accordance with the Company's investment objective and policy for the best interest for our shareholders. For the year ended 31 December 2015, the Group recorded a revenue of approximately HK$841,000 (2014: approximately HK$899,000), decreased by approximately 6% over the previous year. The Group made a net realised gain on disposals of available-for-sale financial assets of approximately HK$3,666,000 (2014: net realised loss of approximately HK$3,241,000). The Group recorded a net realised gain on disposals of financial assets at fair value through profit or loss of approximately HK$3,846,000 (2014: approximately HK$856,000). The Group made a net unrealised loss on financial assets at fair value through profit or loss of approximately HK$3,208,000 (2014: net unrealised gain of approximately HK$877,000).

Investment in listed securities

For the year ended 31 December 2015, included in the Group's available-for-sale financial assets, listed securities of approximately HK$89,445,000 (2014: approximately HK$59,932,000) and the financial assets at fair value through profit or loss of approximately HK$50,968,000 (2014: approximately HK$9,032,000).

Investment in unlisted securities

For the year ended 31 December 2015, the Group's investment portfolio in unlisted securities consists of Mountain Gold Holdings Inc. ("Mountain Gold") of approximately HK$52,215,000 (2014: Nil) and Galaxy Automotive MS Inc. ("Galaxy AMS") of approximately HK$15,923,000 (2014: Nil).

In October 2015, the Group acquired 6.4% equity interest in Mountain Gold, a company principally engaged in the mining industry with an underground high-grade gold mine and exploration property located in Guizhou, the People's Republic of China, with a mining license called Jinping County Jinchangxi-Bize Gold Mine with an area of 0.8934 km^2 and an exploration license called Jinping County Shierpan Gold Detailed Exploration Property with an area of 3.64 km^2. A total resource was estimated to be 21.6 tons of gold at a grade of 10.37g/t gold in compliance with the JORC Code. Mining, processing and administration facilities plant were constructed in place. While the necessary mining license had expired in July 2015 and the necessary exploration license had expired in May 2016, according to a valuation report prepared by an independent valuer using the market approach and on the assumption that the relevant mining licences would be in force, the valuation was higher than the cost of investment. The investment was made taking the above into account, as well as factors including the trend of gold prices, the amount of time available for renewing the licences before the stipulated deadline in August 2016, and the absence of material non-compliance with the applicable regulations which enhanced the prospects of renewal of licences and the performance guarantee given by the vendor. Mountain Gold has no mining operation, as such operation is pending approval for renewal of the necessary mining and exploration licences. The Company is considering alternatives including selling the equity interest in Mountain Gold at the appropriate price although no agreement has been reached in this regard.

In August 2015, the Group acquired 29% equity interest in Galaxy AMS, a company principally engaged in the research and development and manufacturing of high-quality auto parts as well as research and development and sales of automobile system solutions. Galaxy AMS's current sales market includes China, Taiwan, Hong Kong and Macau. The racing team which was sponsored by Galaxy AMS had been awarded with numerous trophies in a variety of regional events in the past three years. Recognition of its products and automobile system solutions is on the rise in the industry and the retail market. The investment was made on the basis of among other things a profit forecast provided by the management of Galaxy AMS, which was based on assumptions considered to be reasonable in view of the management accounts available and the due diligence on the prospects of the motor vehicle segment.

Investment in commercial acceptance bills

As at 31 December 2015, included in the Group's available-for-sale financial assets, the investment in commercial acceptance bill with face value of RMB 25 million at cost were approximately HK$24,275,000 (2014: Nil) and carried interests at approximately 12% per annum. The investment income derived from the above available-for-sale financial assets was approximately HK$805,000 (2014: Nil). Besides, the carrying amount of approximately HK$29,232,000 (2014: Nil) of investment in RMB 30M Bill as at 31 December 2015 was fully impaired. The Board has resolved not to make further investment in bills of exchange.

Going forward

Given the fluctuation in the worldwide financial markets, the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining good investment yields for our shareholders. The Board will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

Since September 2015 when the service agreement with its then outside investment manager terminated, the Company's investment decisions have been based upon the professional judgement of its executive Directors with the assistance of outside professional advice as appropriate. While it is not a mandatory requirement for the Company to engage an outside investment manager, the Company notes the contribution an outside investment manager may bring, and in this regard, it has been in active discussions with two firms of investment managers and with the aim to engage a suitable investment manager subject to obtaining the required regulatory approval. It is the Company's plan to formally engage an investment manager before the end of the third quarter in 2016. Until the engagement of the investment manager takes effect, all the investment decisions of the Company will need to be approved unanimously by the Company's executive Directors, who will have to demonstrate, with the assistance of legal or other professional advisers as appropriate, that their investment decisions will not contravene the investment restrictions currently set out in the Company's articles of association.

List of all investment with value greater than 5% of the Groups' gross assets as at 31 December 2015

Please refer to notes 15 and 17 on pages 78 to 82 and pages 84 and 85 of this annual report for a list of all investments with value greater than 5% of the Groups' gross assets as at 31 December 2015 ("List of investments").

Since 31 December 2015, there have been material changes as set out below to the List of investments.

1. In April 2016, the Group sold listed equity securities, being 8,200,000 shares of the Newtree Group Holdings Limited ("Newtree") at the average cost of HK$0.35. In May and June 2016, the Group purchased listed equity securities, being 5,172,000 shares of Newtree at the average cost of HK$0.29. The divestment and investment were made after considering analysis and recommendation of the Company's executive Directors.

2. In April 2016, the Group sold listed equity securities, being 239,000,000 shares of the China Baoli Technologies Holdings Limited (previously known as REX Global Entertainment Holdings Limited) at the average cost of HK$0.26. The divestment was made after considering analysis and recommendation of the Company's executive Directors.

3. In April 2016, the Group purchased listed equity securities, being 20,040,000 shares of the Zhidao International (Holdings) Limited ("Zhidao") at the average cost of HK$1.31. In June 2016, the Group purchased listed equity securities, being 10,380,000 shares of the Zhidao at the average cost of HK$1.17. The principal activities of Zhidao are engaged in trading of aluminium products and supply of aluminium products in the construction projects. During the year, Zhidao extended its business into the operation of money lending business. The investment is held for long term and was made after considering analysis and recommendation of the Company's executive Directors.

4. In June 2016, the Group purchased listed equity securities, being 99,000,000 shares of the WLS Holdings Limited ("WLS") at the average cost of HK$0.30. The principal activities of WLS are (i) the provision of scaffolding and fitting out services, management contracting services, other services for construction and buildings work, (ii) money lending business and (iii) trading of securities in Hong Kong. The investment is held for long term and was made after considering analysis and recommendation of the Company's executive Directors.

Since 31 December 2015, the Group has not made any investment in unlisted securities.

BOARD'S RESPONSE TO BASIS FOR DISCLAIMER OPINION

In relation to the matters set out under the subsection headed "Basis for Disclaimer of Opinion" on pages 30 to 34 of this annual report, the Board's responses are set out below, and for ease of reference the same numberings are used. Defined expressions shall bear the same meanings as used in the subsection unless the context below requires otherwise.

(a) Deposit paid for acquisition of an investment

The reference to a lack of legal opinion (in the fourth paragraph) providing a full analysis on the merits of the claim and the likely outcome of the litigation should be considered in light of the early stage of the legal proceeding where there has been no disclosure or discovery of documents or exchange of any evidence among the Plaintiff and the Defendants, and this means that there cannot be any basis from which any legal opinion may be formed on the merits of the claim. The Company and Grand Dragon as Defendants will strenuously contest the above legal proceedings on the basis that, inter alia, the Plaintiff's claim shows no reasonable cause of action.

(b) Material uncertainty relating to the investigation and impairment loss on available for-sale financial assets

The Incident essentially arose from the replacement of a genuine bill of exchange (that is, the RMB30M Bill) with three RMB10M Bills which are likely to be forged. During the material times, the Company made investment into only two bills of exchange, that is, the RMB30M Bill and the RMB25M Bill, the latter of which was subsequently redeemed by the Company as stated in the announcement of the Company dated 17 May 2016. Apart from the investment into the two bills of exchange, it was noted that the other investments of the Company were in the form of listed securities held at securities accounts maintained by the Company at SFC licensed stockbrokers while the balance of investment comprised unlisted securities in companies holding the underlying investments, and there was nothing which suggested that these other investments had been misappropriated. Accordingly, the chance for the suspected misappropriation giving rise to the Incident to have taken place on a systemic or a recurrent basis was very low, and on this basis, the Board took the view that the Incident was a standalone incident.

According to the letter dated 26 April 2016 issued by the issuer of the RMB30M Bill, the issuer has issued a bill for a RMB30 million transaction, which was numbered 25669207. This information corresponds to the number and the amount of the RMB30M Bill. The same letter also states that the issuer has not issued bills numbered 20829970, 20829971 and 20829973, and this information ties in with the findings in the Investigation Report that the Three RMB10M Bills are likely to be forged. On the basis as mentioned above, the Company believes that the RMB30M Bill is likely to be genuine.

Apart from the Incident, the Directors are not aware of other matters which point to any material deficiency in the Company's existing internal control system. Accordingly, the Directors believe that the Company has an effective internal control system and procedures in place to safeguard the Company's assets.

The Board noted that the findings as stated in the Investigation Report that the Three RMB10M Bills are likely to be forged confirms the initial suspicion of the Company. The same findings, however, provide no indication at all as to the identity of the culprit(s) of the forged Three RMB10M Bills, and this is not something that may be dispelled or confirmed by furthering the Investigation. In any event, the steps proposed to be taken in connection with furthering the Investigation do not appear to focus on identifying the culprit(s) of the forged Three RMB10M Bills.

The concerns of the two Directors who were also members of the SIC had been noted by the Board. Their concerns did not rest on any specific ground stemming from any specific finding of the Investigation which had not been addressed and considered by the Board as set out under the heading "Response of the Board to certain findings in the Investigation Report" in the announcement of the Company dated 17 May 2016.

The Board, in arriving at its decision not to further the Investigation, had to strike a balance between any practical value that may ensure from continuing the Investigation or having the Hong Kong and/or the PRC Police with their statutory powers take the lead on the matter, and this balance was struck in light of other measures available to protect the interests of the Company as set out under the heading "Actions taken or to be taken by the Company" in the announcement of the Company dated 17 May 2016. Among the measures is the engagement of the Independent CPA Firm to provide internal control review services for the period from May 2016 to May 2017. The Independent CPA Firm has already commenced providing its services, and it is expected that a preliminary report will be available in August 2016.

The other member of the SIC agreed to the Board's decision not to instruct the independent accounting firm to proceed with further investigation of the Incident on reasoning largely similar to what is set out above.

The Company has been given to understand by the Hong Kong Police and the PRC Police that they are open to considering any new evidence that may further their investigations into the Incident. In this regard, the Company has been liaising with the PRC Police and the Hong Kong Police on new evidence which may assist them with their investigations, and will provide an update on any progress or outcome as appropriate.

The Company will provide an update as appropriate should there be any material development to any of the above.

(c) Valuation of available-for-sale investments in Galaxy Automotive MS Inc.

The Board considered that the profit forecast provided by the management of Galaxy AMS and the underlying assumptions as fair and reasonable based on the management accounts of Galaxy AMS available and due diligence on the prospects of the motor vehicle segment. The Board also considered that the income based approach was appropriate as that approach, when compared with the market approach, yielded a more conservative valuation. The Board is currently using its best endeavours to monitor the investment and is developing an appropriate exit strategy having regard to its performance in the coming months until the end of 2016.

(d) Valuation of available-for-sale investments in Mountain Gold Holdings Inc.

The investment in Mountain Gold was made having regard to a variety of factors, including the trend of gold prices; that its valuation was higher than the cost of investment; the amount of time available for renewing the relevant licences before the deadline in August 2016 as stipulated by the authorities, the absence of material non-compliance with the applicable regulations which enhanced prospectus of renewal of licences and the performance guarantee given by the vendor. The investment was made also with regard to a PRC legal opinion in relation to the status of the Mining License and the Exploration License, which opinion has since been updated in view of the steps taken to renew the Mining License and the Exploration License. The Board is currently using its best endeavours to monitor the investment and is developing an appropriate exit strategy having regard to its performance in the coming months until the end of 2016.

(e) The Board notes that there has been non-response to the auditors on the part of those directors whose duties were suspended on 16 December 2015 and those who have resigned. The Board had cooperated with the auditors by providing the addresses of the directors concerned among its records for the auditors to make the contact. The Board believes that the non-response should be considered in light of (i) the directors concerned with non-executive duties have never taken part in the day-to-day operations and investment decisions of the Company, and hence the impact on the Group's consolidated financial statements for the year ended 31 December 2015 as a result of any response that they may have given would be minimal; (ii) the circumstances surrounding the suspension of duties of the three non-executive directors as disclosed in the Company's announcements dated 17 December 2015 and 17 May 2016; and (iii) the status of two non-executive directors (whose duties were suspended on 16 December 2015) according to the website of the PRC courts in Guangzhou as disclosed in Company's announcement dated 13 June 2016.

Notwithstanding the above views of the Board which were made known to the auditors in several rounds of discussions, the Board was given to understand by the auditors that direct contact with the directors mentioned in paragraph (e) on page 34 above was something they considered to be a necessary part of their audit procedures as the directors concerned had certain disagreements and disputes with the rest of the Board. The Board drew the attention of the auditors to (i) the disclosure in respect of the disagreement between two resigned independent non-executive directors and the Board as set out in the announcement of the Company dated 17 May 2016 and the Board's response thereto; and (ii) the announcement of the Company dated 17 June 2016 in respect of an application by two non-executive directors (whose duties were suspended on 16 December 2015) for an injunction restraining the Company from denying them access to the Company's premises and records while the Court only granted them restricted inspection rights to a limited number of documents and for limited purposes only. The Board then inquired with the auditors the specific disputes and disagreements among the directors that the auditors considered might have potential impact, if any, on the financial statements of the Company, and how direct contact with the directors concerned would help address any such potential impact on the financial statements. However, the Board has not received any substantive response from the auditors.

MATERIAL LEGAL PROCEEDINGS

Apart from the legal proceeding disclosed in note 28 to the consolidated financial statements on page 94 of this annual report, as at the publication of this annual report, there are no other legal proceedings pending against the Company or any member of the Group which in the opinion of the Board would have a material effect on the operations or the financial position of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$33,983,000 as at 31 December 2015 (2014: approximately HK$38,769,000). As at 31 December 2015, the Group had interest-bearing loan notes in an aggregate amount of approximately HK$43,355,000 (2014: Nil).

The Group's gearing ratio, representing the total debt divided by equity attributable to owners of the Company, was approximately 18% as at 31 December 2015 (2014: not applicable).

There were no capital commitments as at 31 December 2015 which would require a substantial use of the Group's present cash resources or external funding (2014: Nil). The Group did not have any material contingent liability as at 31 December 2015 (2014: Nil).

The assets of the Group comprised substantially of bank deposits denominated in Hong Kong dollars and approximately HK$24,275,000 (2014: Nil) of the Group's financial assets are denominated in Renminbi. The Group currently does not have any foreign currency hedging policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

ESTABLISHMENT OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES

Total 32 subsidiaries were established and 27 subsidiaries were disposed of during the year ended 31 December 2015.

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year, the movements in the Company's share capital are as follows:

(a) On 28 May 2015, 153,000,000 shares were issued by the Company as a result of a placing agreement dated 7 May 2015. Shares were issued at a price of HK$0.465 giving the gross proceeds of approximately HK$71,145,000.

(b) On 8 September 2015, 183,000,000 shares were issued by the Company as a result of a placing agreement dated 14 August 2015. Shares were issued at a price of HK$0.4 giving the gross proceeds of approximately HK$73,200,000.

(c) On 7 July 2015, 5,900,000 share options were exercised at the subscription price of HK$0.74, and a total of 5,900,000 shares were issued with an aggregate nominal value of HK$295,000.

PROSPECTS

China's economic growth continued to slow down during the year. China's GDP growth further weakened from 7.5% to 7.0%. Meanwhile, the Chinese government launched a number of loosening financial and monetary policies by way of cutting interest rates and required reserve ratios in a bid to boost the economy. All of these indicated that there have been corresponding supportive policies issued by the Chinese government to limit the downside risks of the economic growth. Besides the Shanghai-Hong Kong Stock Connect Scheme, the implementation of Shenzhen-Hong Kong Stock Scheme will further provide new impetus to the Hong Kong stock market.

COMPLIANCE WITH THE APPLICABLE LAW AND REGULATIONS

In relation to human resources, during 2015 the Company has in all material respects complied with the requirements of the ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group.

On the corporate level, during 2015 the Group has in all material respects complied with the applicable requirements under the Companies Law (Revised) under the laws of the Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange, the Companies Ordinance and the Securities and Futures Ordinance under the laws of Hong Kong.

EMPLOYEES

As at 31 December 2015, the Company had 22 employees (2014: 21), including executive Directors, non-executive Directors and independent non-executive Directors. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees. During the year, the Group has generally maintained good relationship with its employees.

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 has purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Monday, 26 September 2016 to Wednesday, 28 September 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting ("AGM") to be held on Wednesday, 28 September 2016, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 23 September 2016.

EXECUTIVE DIRECTORS

Mr. Luk Hong Man, Hammond ("Mr. Luk"), aged 35, is currently the chief executive officer and the financial controller of the Group. Mr. Luk is a member of the Chartered Professional Accountants of Canada and the Association of Chartered Certified Accountants. Mr. Luk is also a fellow member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries and the Hong Kong Institute of Directors respectively. Mr. Luk has a degree of bachelor of laws from the University of London and a degree of bachelor of commerce from the University of Alberta. Mr. Luk has over 15 years of experience in management accounting, financial control, internal audit and compliance with different companies in Canada and Hong Kong including the Group. Through joining the Group in July 2011 as an executive Director and financial controller and taking up additional duties as chief executive officer and a member of the risk management committee in April 2016, Mr. Luk has gained experience in investment management and corporate governance. Prior to joining the Group in July 2011, Mr. Luk had worked as an executive director and compliance officer in Media Asia Group Holdings Limited (stock code: 8075) and an executive officer in charge of the accounting and finance department in China Public Procurement Limited (stock code: 1094).

Mr. Zhang Xi ("Mr. Zhang"), aged 47, has over 13 years of experience in the financial sector. He is currently a Chartered Financial Analyst (CFA) charterholder. Mr. Zhang graduated with a bachelor's degree in science (electrical engineering) from Shanghai Jiao Tong University in July 1991. Mr. Zhang obtained an International Master's degree of Business Administration from York University in Canada in 1998. Mr. Zhang has been an independent non-executive director of Media Asia Group Holdings Limited (stock code: 8075) since September 2009 and was an independent non-executive director of Asia Energy Logistics Group Limited (stock code: 351) from March 2006 to July 2016.

NON-EXECUTIVE DIRECTOR

Mr. Sui Guangyi ("Mr. Sui"), aged 53, is a legal representative and a director of 深圳市鼎益豐資產管理股份有限公司 (Shenzhen Ding Yi Feng Assets Management Co., Ltd.), the director of HK DYF Int'l Holding Group Limited, and a director of Singapore DYF Int'l Capital Management Pte. Ltd. All of the above companies are in the business of investment holding and asset management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Jing Siyuan ("Ms. Jing"), aged 39, has been working as an internal control and financial consultant in Shenzhen Fronter Electronics Co., Ltd. (深圳市福浪電子有限公司), Shenzhen Hi-Chipcom Electronics Co., Ltd. (深圳市海芝通股份有限公司), a company whose shares are listed on The National Equities Exchange and Quotations (company code: 837413) and Shenzhen Zhi Ling Wei Ye Technology Co., Ltd. (深圳志淩偉業股份有限公司), a company whose shares are listed on The National Equities Exchange and Quotations (company code: 834148) since August 2015. Ms. Jing has been working as general manager in Shenzhen An Ping Tai Management Consulting Co., Ltd. (深圳市安平泰企業管理諮詢有限公司) since July 2015. Ms. Jing graduated from Oxford Brookes University in the United Kingdom with a degree in Bachelor of Science (Applied Accounting) in July 2008. She graduated from Henan University in the PRC with a diploma in Chinese language and literature education in July 2001. Ms. Jing was admitted as a member of the Association of Chartered Certified Accountants ("ACCA") in October 2013. She obtained the certificate of qualified secretary of board of directors from the Shenzhen Stock Exchange in April 2013. Ms. Jing qualified as an Accounting Technician of the ACCA in May 2004.

Ms. Li Jiangtao ("Ms. Li"), aged 32, is an associate of the Society of Actuaries, United States. Ms. Li obtained a master of science in applied mathematics for science and technology (actuarial and investment science) from the Hong Kong Polytechnic University in October 2011. Ms. Li has held actuarial related positions with various companies including Aviva Life Insurance Company Limited.

Mr. Zhang Aimin ("Mr. Zhang AM"), aged 38, is a director and chief executive officer of Zhejiang Xinyuan Education Consulting Limited (浙江心元教育咨詢有限公司), a company principally engaged in the business of providing education consultancy and training related services. Mr. Zhang AM has over 5 years experience in the education consultation fields. Mr. Zhang AM obtained a master of business administration from China Europe International Business School in September 2010 and a bachelor's degree in international trade and economics from Beijing University in July 1999.

The Directors of the Company (the "Directors") are pleased to present their annual report and the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group is principally engaged in investing in listed and unlisted securities. The activities of the subsidiaries of the Company are set out in note 30 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 35 to 99. The Directors do not recommend the payment of a final dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 21 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year are set out in note 22. Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders subject to the provisions of its Memorandum ("Memorandum") and Articles of Association ("Articles") and a statutory solvency test. In accordance with Article 143 of the Articles, dividends may be declared and paid out of the profit of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. There were no reserves available for distribution in both years ended 31 December 2015 and 2014.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's entire revenue is derived from the Group's investments in listed and unlisted securities and financial institutions and thus the disclosure of customers and suppliers information would not be meaningful.

DIRECTORS

The Directors of the Company who held office during the year ended 31 December 2015 and up to the publication of this annual report are:

Executive Directors

Mr. Zhang Xi
Mr. Luk Hong Man, Hammond (removed on 20 July 2016 and re-appointed on 21 July 2016)
Mr. Ye Yinggang (resigned on 2 June 2016)

Non-executive Directors

Mr. Sui Guangyi (appointed 1 September 2015)
Mr. Yao Yuan (appointed on 4 June 2015 and removed on 20 July 2016)
Mr. Shi Minqiang (appointed on 12 October 2015 and removed on 20 July 2016)
Mr. Yao Zhixiang (appointed on 12 October 2015 and removed on 20 July 2016)

Independent non-executive Directors

Ms. Li Jiangtao (appointed on 12 October 2015)
Ms. Jing Siyuan (appointed on 17 May 2016)
Mr. Zhang Aimin (appointed on 22 July 2016)
Mr. Ng Man Fai, Matthew (resigned on 20 May 2015)
Mr. Tsang Kwok Wa, Edward (resigned on 13 October 2015)
Mr. Zhang Qi (appointed on 12 October 2015 and resigned on 30 January 2016)
Mr. Leung Po Hon (appointed on 1 May 2015 and resigned on 9 May 2016)
Mr. Wong Chung Kin, Quentin (resigned on 17 May 2016)

On 13 January 2016, the Company received a letter from the solicitors acting for Guang Sheng Investment Development Group Limited, Golden Gate Group Limited, Noah Holdings Limited, Jiang Yongjun and Zhu Gang who were shareholders together holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), by which a requisition dated 13 January 2016 requiring the Board to convene an extraordinary general meeting for the transaction of the businesses specified in schedule 2 to the Requisition was deposited with the Company ("Requisition"). The businesses specified in schedule 2 to the Requisition as at the date of the Requisition contained 13 proposed resolutions for (i) the removal of all of the executive and non-executive Directors at the date of the Requisition; (ii) the removal of all executive non-executive and independent non-executive Directors that are being appointed by the Company between 13 January 2016 and the date of the extraordinary general meeting; and (iii) the appointment of three candidates as non-executive Directors and one candidate executive Director. The removal of certain Directors was pursuant to the voting result of the further adjourned extraordinary general meeting held on 20 July 2016 in response to the Requisition and its changes since 13 January 2016.

At the forthcoming AGM, retirement and re-election of Directors will take place in accordance with the requirements in the Articles.

None of the Directors proposed for re-election at the AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AND ANY ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests and short positions of each Director and the chief executives of the Company in the shares and the underlying shares of the Company and any associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Long positions in shares as at 31 December 2015

Name of Director	Capacity	Notes	Number of shares	Approximate percentage of shareholding
Yao Yuan	Beneficial owner	(1)	4,000	0%

(ii) Long positions in underlying shares as at 31 December 2015

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Luk Hong Man, Hammond	Beneficial owner	(2)	765,120	0.08%
Zhang Xi	Beneficial owner	(2)	765,120	0.08%
Ye Yinggang	Beneficial owner	(2)	765,120	0.08%
Wong Chung Kin, Quentin	Beneficial owner	(2)	765,120	0.08%
Leung Po Hon	Beneficial owner	(2)	765,120	0.08%

Notes:

(1) The personal interests of Mr. Yao Yuan comprise 4,000 ordinary shares.

(2) These share options were granted on 17 June 2015 at an exercise price of HK$0.74 per share of the Company with exercise period from 17 June 2015 to 16 June 2025.

Save as disclosed above, at 31 December 2015, none of the Directors nor chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 23 to the consolidated financial statements. No option has been granted or agreed to be granted under the share option scheme since the date of adoption of the scheme.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed in note 23 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 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

As at 31 December 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that other than being a Director or the executive of the Company, the following shareholders had notified the Company of the relevant interests amounting to 5% or more of the ordinary shares in issue:

Long position

Name	Number of shares	Type of interest	Approximately percentage of issued share capital of the Company
HK DYF Int'l Holding Group Limited	179,264,000	Beneficial owner	16.19%
Shenzhen Ding Yi Feng Assets Management Co., Ltd. (Note 1)	179,264,000	Interest of controlled corporation	16.19%
Mr. Sui Guangyi (Note 2)	179,264,000	Interest of controlled corporation	16.19%

Note 1: Shenzhen Ding Yi Feng Assets Management Co., Ltd. is deemed to be interested in 179,264,000 shares through her controlling interest (100%) in HK DYF Int'l Holding Group Limited.

Note 2: Mr. Sui Guangyi ("Mr. Sui") is deemed to be interested in 179,264,000 shares held by Shenzhen Ding Yi Feng Assets Management Co., Ltd. is 28.79% owned by Mr. Sui.

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

CONNECTED TRANSACTION AND DIRECTORS' INTEREST IN CONTRACT OF SIGNIFICANCE

Details of transaction regard as connected transaction and required to be disclosed as defined under the Listing Rules, is as follow:

Under the investment management agreement dated 31 January 2013 (the "Investment Management Agreement") entered into between the Company and Asia Investment Management Limited, (the "Investment Manager"), the Investment Manager agreed to provide the Company with investment management services commencing from 1 February 2013 to 31 January 2015. Moreover, the Company has extended the Investment Management Agreement to 31 January 2017, by entering into the supplemental Investment Management Agreement on 30 January 2015. The Investment Management Agreement as extended by the Supplemental Investment Management Agreement has been terminated with effect from 23 September 2015. The Investment Manager is defined as connected person of the Company pursuant to the Rule 21.13 of the Listing Rules. Under both the Investment Management Agreement and the Supplemental Investment Management Agreement, the investment management fee payable to the Investment Manager shall be HK$80,000 per month. The Company shall also reimburse the Investment Manager for all its expenses incurred in relation to the performance of its duties up to a maximum amount of HK$200,000 per annum.

The independent non-executive Directors have confirmed that the above transactions were conducted (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms and (3) in accordance with the relevant agreement governing them that terms are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Company confirms that it has received written confirmation from its auditors confirming the matters stated under Rule 14A.38 of the Listing Rules.

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 has purchased, sold nor redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2015, the Directors had not aware of any business or interest of the Directors and their associates that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The Audit Committee currently comprised solely of independent non-executive Directors, namely, Ms. Jing Siyuan (chairman) and Mr. Zhang Aimin. Since 20 July 2016, the minimum number of members of the Audit Committee has not complied with the requirements under Rule 3.21 of the Listing Rules. We are actively identifying the suitable candidates in order to fulfil this requirement.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2015.

CORPORATE GOVERNANCE

Details of the Company's corporate governance are set out in the Corporate Governance Report on pages 20 to 28 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company of those who served as Director during the year ended 31 December 2015, all, except Mr. Yao Yuan, Mr. Shi Minqiang and Mr. Yao Zhixiang, have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2015.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2015.

ENVIRONMENTAL POLICY

The Company is committed to the long term sustainability of the environment and communities in which it operates. As an investment company, we pride ourselves as an environment friendly corporation. The Company is aware of the need to consciously minimize consumption of resources and adopt environmental best practices across the Group's businesses. Acting in an environmentally responsible manner, the Company endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives include recycling of used papers, energy saving and water saving.

PERMITTED INDEMNITY PROVISION

The Articles provide that the Directors are entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which they may sustain or incur in their respective offices. The Company has arranged directors and officers' liabilities insurance for the year ended 31 December 2015, which provides appropriate coverage for the Directors and directors of the subsidiaries of the Company.

FIVE YEAR SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 100.

CONFIRMATION OF INDEPENDENCE

The Company has received from all of the independent non-executive Directors (except Mr. Zhang Qi) an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules, and accordingly, the Company considers them to be independent.

AUDITOR

The consolidated financial statements for the year ended 31 December 2015 were audited by HLM CPA Limited who will retire and seek for re-election at the forthcoming AGM.

On behalf of the Board
China Investment Fund Company Limited

Sui Guangyi
Chairman
Hong Kong, 16 June 2016

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Following the issue of the Code on Corporate Governance Practices (the "CG Code"), as set out in Appendix 14 of the Listing Rules, the Company has carefully reviewed and considered its provisions, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the CG Code. We have, throughout the year ended 31 December 2015, complied with the code provisions of the CG Code as and when they were/are applicable and in force, except for the deviations from code provisions A.2.1 and E.1.2 set out as below:

Code Provision A.2.1

In accordance with Code Provision A.2.1, it stipulates that the roles of the chairman and the chief executive are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Board has appointed Mr. Sui Guangyi as chairman with effect from 2 October 2015 while the role of chief executive remained vacant throughout 2015 and was assumed by Mr. Luk Hong Man, Hammond when the Board appointed him as chief executive officer with effect from 22 April 2016.

Code Provision E.1.2

In accordance with Code Provision E.1.2, it stipulates that the chairman of the Board should attend the AGM. No chairman of the Board attended the AGM of the Company held on 29 June 2015 as the Board was in the process of identifying suitable candidate to fill in the vacancy for chairman. The said AGM was chaired by an executive Director.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors, except Mr. Yao Yuan, Mr. Shi Minqiang and Mr. Yao Zhixiang, have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

Composition and role

Executive Directors

Mr. Zhang Xi
Mr. Luk Hong Man, Hammond (removed on 20 July 2016 and re-appointed on 21 July 2016)
Mr. Ye Yinggang (resigned on 2 June 2016)

Non-executive Directors

Mr. Sui Guangyi (appointed 1 September 2015)
Mr. Yao Yuan (appointed on 4 June 2015 and removed on 20 July 2016)
Mr. Shi Minqiang (appointed on 12 October 2015 and removed on 20 July 2016)
Mr. Yao Zhixiang (appointed on 12 October 2015 and removed on 20 July 2016)

Independent non-executive Directors

Ms. Li Jiangtao (appointed on 12 October 2015)
Ms. Jing Siyuan (appointed on 17 May 2016)
Mr. Zhang Aimin (appointed on 22 July 2016)
Mr. Ng Man Fai, Matthew (resigned on 20 May 2015)
Mr. Tsang Kwok Wa, Edward (resigned on 13 October 2015)
Mr. Zhang Qi (appointed on 12 October 2015 and resigned on 30 January 2016)
Mr. Leung Po Hon (appointed on 1 May 2015 and resigned on 9 May 2016)
Mr. Wong Chung Kin, Quentin (resigned on 17 May 2016)

There is no relationship between members of the Board, except for Mr. Yao Yuan, Mr. Shi Minqiang and Mr. Yao Zhixiang.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, Director's appointments or re-appointments, and dividend and accounting policies.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors.

The key responsibilities of the Board include the formulation of the Group's overall strategies, setting performance targets, regulate and maintain internal controls, monitoring financial reporting process and manage day-to-day business operations. The Board is responsible to promote the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner which the affairs of the Company are managed, controlled and operated.

The Board comprises of two executive Directors, one non-executive Director and three independent non-executive Directors. The biographical details of all Directors are presented on pages 11 and 12 of this annual report. At the forthcoming AGM, retirement and re-election of Directors will take place in accordance with the requirements in the Articles.

An independent non-executive Director, Ms. Jing Siyuan possesses appropriate professional accounting qualifications and financial management expertise, which satisfies Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the independent non-executive Directors provide independent directives and views on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

During the year 2015, the Board maintained the Audit Committee, the Remuneration Committee, the Nomination Committee as required by the applicable rules. In April 2016, in order to strengthen the governance of the Company, the Board set up the Risk Management Committee and the Investor Relations Committee. The independent non-executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work. Pursuant to Rule 3.13 of the Listing Rules, the Company has received from all the independent non-executive Directors except Mr. Zhang Qi an annual confirmation of independence, and accordingly the Company considers them to be independent.

Board meetings and Directors' Attendance

The full Board meets regularly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the AGM and board meeting held in 2015 are set out in the following table:

	Meeting attended/held	
Name of Directors	**Board meeting**	**AGM held on 29 June 2015**
Executive Directors		
Luk Hong Man, Hammond	26/26	1/1
Ye Yinggang (resigned on 2 June 2016)	26/26	0/1
Zhang Xi	26/26	1/1
Non-Executive Directors		
Sui Guangyi (appointed on 1 September 2015)	8/26	–
Yao Yuan (appointed on 4 June 2015 and removed on 20 July 2016)	13/26	1/1
Shi Minqiang (appointed 12 October 2015 and removed on 20 July 2016)	4/26	–
Yao Zhixiang (appointed 12 October 2015 and removed on 20 July 2016)	3/26	–
Independent Non-executive Directors		
Wong Chung Kin, Quentin (resigned on 17 May 2016)	26/26	0/1
Leung Po Hon (resigned on 9 May 2016)	18/26	1/1
Tsang Kwok Wa, Edward (resigned on 13 October 2015)	19/26	1/1
Ng Man Fai, Matthew (resigned on 20 May 2015)	9/26	–
Zhang Qi (appointed on 12 October 2015 and resigned on 30 January 2016)	6/26	–
Li Jiangtao (appointed on 12 October 2015)	6/26	–

Directors' Training and Professional Development

During the year, most Directors participated in continuous professional development to develop and refresh their knowledge and skill by way of attending seminars, briefings or training courses and reading the relevant materials.

In addition, every newly appointed Director will receive an introduction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and his responsibilities under the Listing Rules and relevant regulatory requirements.

According to the records maintained by the Company, the training received by the Directors in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2015 to 31 December 2015 are set out below:

Name of Directors	Reading materials	Attending seminars/ briefings/ training courses
Executive Directors		
Luk Hong Man, Hammond	✔	✔
Ye Yinggang (resigned on 2 June 2016)	✔	✔
Zhang Xi	✔	✔
Non-Executive Directors		
Sui Guangyi (appointed on 1 September 2015)	–	–
Yao Yuan (appointed on 4 June 2015 and removed on 20 July 2016)	–	–
Shi Minqiang (appointed on 12 October 2015 and removed on 20 July 2016)	–	–
Yao Zhixiang (appointed on 12 October 2015 and removed on 20 July 2016)	–	–
Independent Non-executive Directors		
Wong Chung Kin, Quentin (resigned on 17 May 2016)	–	–
Leung Po Hon (appointed on 1 May 2015 and resigned on 9 May 2016)	✔	✔
Tsang Kwok Wa, Edward (resigned on 13 October 2015)	✔	✔
Ng Man Fai, Matthew (resigned on 20 May 2015)	–	–
Li Jiangtao (appointed on 12 October 2015)	–	–
Zhang Qi (appointed on 12 October 2015 and resigned on 30 January 2016)	–	–

Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Chairman of the Board is responsible for the leadership and effective running of the Board. The Chief Executive is delegated with the authorities to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

The Board has appointed Mr. Sui Guangyi as chairman with effect from 2 October 2015 while the role of chief executive remained vacant throughout 2015 and was assumed by Mr. Luk Hong Man, Hammond when the Board appointed him as chief executive officer with effect from 22 April 2016.

Appointments, Re-election and Removal

In accordance with Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, all independent non-executive Directors have been appointed for a specific term of 3 years but are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

In accordance with our Articles, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

BOARD COMMITTEES

Pursuant to Rule 3.21, Rule 3.25 and Corporate Governance Code A.5.1, during 2015 the Board has maintained the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing relevant aspects of the affairs of our Company. These committees are established with written terms of reference are available on our website and on the website of The Stock Exchange of Hong Kong Limited.

Audit Committee

The Audit Committee currently comprised of independent non-executive Directors only, namely, Ms. Jing Siyuan (chairman) and Mr. Zhang Aimin. Since 20 July 2016, the minimum number of members of the Audit Committee has not complied with the requirements under Rule 3.21 of the Listing Rules. We are actively identifying the suitable candidates in order to fulfil this requirement.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management including a review of the consolidated financial statements of the Group for the year ended 31 December 2015.

The Group's 2015 audited financial statements had been duly reviewed by the Audit Committee with the auditor. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that it is satisfied with the professional performance of the auditor and therefore recommends the Board that HLM CPA Limited ("HLM") be re-appointed as our auditor in the forthcoming AGM.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2015 consolidated financial statements of the Company, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

HLM was appointed as auditor of the Company until conclusion of the AGM. During the year, the remuneration paid for the services provided by the auditor are as follows:

Audit services	HK$670,000
Non-Audit services	HK$140,000

The Audit Committee held three meetings during 2015. The Committee recommended the Board regarding the re-appointment of HLM to act as the auditor of the Company and its subsidiaries and has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management including a review of the consolidated financial statements for the period ended 30 June 2015 and for the year ended 31 December 2015.

The attendance of the Audit Committee meetings held during 2015 of those persons who were members of the committee in 2015 is as follows:

Audit Committee members	Meetings attended/held
Independent Non-executive Directors	
Wong Chung Kin, Quentin, Chairman	3/3
Tsang Kwok Wa, Edward (resigned on 13 October 2015)	2/3
Ng Man Fai, Matthew (resigned on 20 May 2015)	1/3
Leung Po Hon (appointed on 1 May 2015)	2/3
Li Jiangtao (appointed on 12 October 2015)	0/3

Remuneration Committee

The Remuneration Committee currently comprised of Mr. Zhang Aimin (chairman) and Ms. Jing Siyuan who are independent non-executive Directors, and Mr. Zhang Xi, executive Director.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and making recommendations to the Board on the remuneration packages of individual executive Director and senior management.

The Remuneration Committee held five meetings during 2015 to discuss about the remuneration package of Directors and make recommendation to the Board on the amount of discretionary bonus for the Directors and senior management.

The attendance of the Remuneration Committee meetings held during 2015 of those persons who were members of the committee in 2015 is as follows:

Remuneration Committee members	**Meetings attended/held**
Independent Non-executive Directors	
Wong Chung Kin, Quentin, Chairman	5/5
Tsang Kwok Wa, Edward (resigned on 13 October 2015)	5/5
Ng Man Fai, Matthew (resigned on 20 May 2015)	2/5
Leung Po Hon (appointed on 1 May 2015)	3/5
Li Jiangtao (appointed on 12 October 2015)	0/5

Nomination Committee

The Nomination Committee currently comprised of Mr. Luk Hong Man, Hammond, executive Director, and Mr. Zhang Aimin and Ms. Jing Siyuan who are independent non-executive Directors. Ms. Jing Siyuan is the chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee formulated the Board diversity policy and the Company has adopted the Board diversity policy in August 2013. The Company recognises and embraces the benefits of diversity in Board members. Selection of Board members will be based on a range of diversified perspectives, including but not limited to gender, age, ethnicity, cultural and educational background, or professional experience. All Board appointments will be based on merit and the needs of the Company's business while taking into account diversity. The Nomination Committee also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

The Nomination Committee held six meetings during 2015 to make recommendation to the Board on the re-election of Directors, review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and review and discuss the Board diversity policy.

The attendance of the Nomination Committee meetings held during 2015 of those persons who were members of the committee in 2015 is as follows:

Nomination Committee members	Meetings attended/held
Executive Director	
Luk Hong Man, Hammond	6/6
Independent Non-executive Directors	
Tsang Kwok Wa, Edward (resigned on 13 October 2015)	6/6
Ng Man Fai, Matthew (resigned on 20 May 2015)	2/6
Leung Po Hon (appointed on 1 May 2015)	4/6
Li Jiangtao, Chairman (appointed on 12 October 2015)	0/6

INTERNAL CONTROLS

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the shareholders' interests. The Board assesses the effectiveness of the internal control system and procedures derived from discussions with the Directors and reviews conducted by the Audit Committee. The Board believes that the existing internal control system is adequate and effective.

COMPANY SECRETARY

Ms. Hong Lai Ping was appointed as the Company Secretary of the Company on 5 February 2010. The Company Secretary reports to the Directors of the Company and is responsible for advising the Board on governance matters. According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken not less than 15 hours of relevant professional training during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the financial accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the consolidated financial statements should be distributed to the shareholders of the Company in a timely manner. In preparing the accounts for the year ended 31 December 2015, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Procedures for convening an extraordinary general meeting and putting forward proposals at general meeting

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company at the Suite 2701, 27th Floor, One International Finance Centre, No. 1 Harbour View Street, Central, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's Articles or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

ENQUIRIES TO THE BOARD

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary of the Company and the contact details are as follows:

Company Secretary
China Investment Fund Company Limited
Suite 2701, 27th Floor, One International Finance Centre, No. 1 Harbour View Street, Central, Hong Kong
Email: info@cifund.com.hk
Tel. No.: (852) 2838 9806
Fax No.: (852) 2838 6782

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2015, the Company has not made any changes to its Memorandum and Articles.

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: info@hlm.com.hk

TO THE SHAREHOLDERS OF CHINA INVESTMENT FUND COMPANY LIMITED
中國投資基金有限公司
(Incorporated as an exempted company in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 99, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

(a) Deposit paid for acquisition of an investment

As set out in note 16(b) to the consolidated financial statements, on 10 September 2015, Grand Dragon Investment Development Limited ("Grand Dragon"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding ("MOU") with Qianhai Yun Hui Equity Investment Fund Management Co. Limited (the "Target Company") pursuant to which Grand Dragon would acquire the entire equity interest of the Target Company which held certain unlisted equity investments in the People's Republic of China (the "PRC"). A deposit of HK$8,000,000 was paid on signing of the MOU. Subsequent to the MOU, Grand Dragon signed an undated acquisition contract ("Acquisition Contract") with Ms. Yang Yan ("Ms. Yang"), the sole shareholder of the Target Company, for the acquisition of the Target Company, and another HK$2,000,000 was paid as deposit (in aggregate, the "Deposits"). However, the Group did not complete the due diligence work in the Target Company in accordance with the MOU and the Acquisition Contract and the Company's management eventually decided to terminate the Acquisition Contract. In February 2016, the Company engaged a PRC lawyer to negotiate with Ms. Yang for the refund of the Deposits.

On 13 May 2016, Ms. Yang (the "Plaintiff") issued a writ of summon against the Company and Grand Dragon (collectively the "Defendants") claiming forfeiture of the Deposits on the ground that the Defendants failed to commence the process of due diligence for the Target Company despite repeated requests, and thus have wrongfully repudiated the Acquisition Contract.

As at the date of this report, the Deposits are subject to the litigation claims, details of which are disclosed in note 28 to the consolidated financial statements. Based on the advice from its legal advisor, who took the view that (i) the action initiated by the Plaintiff is at an early stage and (ii) the claim does not have any merit, the Company has not made any provision in respect of such claim in the consolidated financial statements.

As at the date of this report, the above litigation is still in progress and we are not aware of any legal opinion obtained by the Company providing a full analysis on the merits of the claim and the likely outcome of the litigation. In addition, we are unable to ascertain the financial viability of Ms. Yang. As a result, we are unable to obtain sufficient appropriate audit evidence concerning (i) the validity of the Acquisition Contract and therefore the right and obligations of Grand Dragon and the Company, and (ii) the recoverability of the Deposits from Ms. Yang.

In light of the above, we are unable to satisfy ourselves regarding the rights and obligations of Grand Dragon and the Company and the recoverability of the Deposits. There are no alternate audit procedures that we could perform to satisfy ourselves as to the carrying amount of the Deposits or to determine whether any provision for impairment loss is necessary. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of the Group as at 31 December 2015 and its net loss for the year then ended and the related note disclosures to the consolidated financial statements.

(b) Material uncertainty relating to the investigation and impairment loss on available-for-sale financial assets

As disclosed in note 3 to the consolidated financial statements, on 9 October 2015, Profit Winner Investment Holdings Limited ("Profit Winner"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement for the acquisition of the entire share capital of Ultra Brave Company Limited ("Ultra Brave"). The sole asset of Ultra Brave was an investment in a commercial acceptance bill with a face value of RMB30,000,000 (the "RMB30M Bill") and a carrying value of HK$29,232,240 (equivalent to RMB24,000,000). The investment in the RMB30M Bill was acquired by Ultra Brave from a factoring company in the PRC (the "Factoring Company") pursuant to a transfer agreement ("Transfer Agreement"). It was understood that at the time of the acquisition of Ultra Brave, the RMB30M Bill was physically passed to the Company and kept in its safe. According to the terms of the Transfer Agreement, the Factoring Company was responsible for redeeming the RMB30M Bill on its maturity on 9 April 2016 and would repay Ultra Brave an amount of RMB24,000,000 together with interest calculated at 12% per annum.

On 17 December 2015, the Company made an announcement that the Company was carrying out an investigation into a suspected misappropriation of certain bills of exchange (the "Investigation") and the Company had reported the matter to the Hong Kong Police. Pending the results of the Investigation, the Company suspended all duties of three non-executive directors of the Company with effect from 16 December 2015. The Company further announced on 23 December 2015 that a special investigation committee ("SIC") was established for the purposes of addressing the matter of the misappropriation of the bills of exchange.

On 12 January 2016, the Company announced that the suspected misappropriation (the "Incident") involved an alleged misappropriation of the RMB30M Bill which *"took place via the replacement of the RMB30M Bill by three bills of exchange of RMB10 million denomination each"* (the "Three RMB10M Bills"). It was also stated that the Company understood from the PRC based drawer bank that the chop of the legal representative appearing on the Three RMB10M Bills did not match with the bank's records of the chop. In the view of the management of the Company, (i) the Incident appeared to be a standalone incident, (ii) the financial exposure of the Incident to the Company was limited to RMB30 million, (iii) insofar as operations of the Company were concerned the Incident had limited significance on the Company's operations, and (iv) except for the Incident, there had been no other irregularity with the operations of the Company.

On 17 February 2016, the SIC, on behalf of the Company, engaged an independent accounting firm to conduct an investigation into the Incident. On 3 May 2016, the independent accounting firm submitted an interim report on the investigation (the "Investigation Report") to the SIC. As at the date of this report, neither the RMB30M Bill nor the Three RMB10M Bills have been redeemed.

On 17 May 2016, the Company announced that, based on the findings of the Investigation Report, the directors of the Company (the "Board") were of the view that the Three RMB10M Bills were likely to be forged. A summary of the key interim findings of the independent accounting firm is contained in the announcement. The Board further took the view that any action taken by the Company to transfer, redeem or dispose of the Three RMB10M Bills was likely to attract legal consequences. Furthermore, the Board, based on (i) a letter from the issuer of the RMB30M Bill dated 26 April 2016 and (ii) the Company's understanding and belief, considered that the original RMB30M Bill which was removed from the Company's possession on 2 November 2015 (and replaced by the Three RMB10M Bills) was likely to be genuine although the independent accounting firm could not ascertain the authenticity of the original RMB30M Bill as the Company currently only has in its possession a copy of the said bill. A majority of the Board also considered that further investigation by the independent accounting firm was unlikely to be able to identify the culprit(s) of the Incident and/or the creator(s) of the Three RMB10M Bills. In the circumstances, the Board considered that it was unnecessary to proceed with any further investigation into the Incident and the SIC should be dissolved. Two directors (who were also members of the SIC) disagreed with the dissolution of the SIC and resigned subsequently. According to the announcement on 17 May 2016, these two directors were concerned that "*the contents of the Investigation Report is alarming and further investigation need to be carried out immediately to protect the interests of the Company and also to clarify whether there are any further misbehavior or breach of duty by senior management*". The two directors considered that the investigation should proceed.

The Board considered that the impact of the Incident was HK$29,232,240 (equivalent to RMB24 million) being the cost of investment of the RMB30M Bill as at 31 December 2015. The Board made an impairment loss on the cost of investment of the RMB30M Bill of HK$29,232,240 which was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

According to the Company's announcement on 17 May 2016, the Company had been approached by the legal adviser of the Factoring Company in relation to the redemption of the Three RMB10M Bills but due to possible legal consequences, the Company needed to seek professional advice before it takes any action in respect of the Three RMB10M Bills. It is uncertain whether the Company may be able to seek recovery from the Factoring Company or any third party in respect of the investment. We have not been able to obtain sufficient and satisfactory audit evidence to satisfy ourselves as to the amount, if any, of the impairment loss on available-for-sale financial assets made.

In addition, we were not able to carry out any effective confirmation procedures in relation to the RMB30M Bill or the Three RMB10M Bills. There were no alternate audit procedures that we could perform to satisfy ourselves as to whether the impairment loss of available-for-sale financial assets as recorded in the consolidated financial statements are free from material misstatement. The Board has resolved to dissolve the SIC and not to continue with further investigation. As noted above, two members of the SIC disagreed with the Board's resolution and subsequently resigned, citing concerns that the findings of the Investigation Report were alarming and casted doubts on certain Directors. In light of the above, we consider that there are material uncertainties as to whether the interim findings by the independent accounting firm may have an impact on the results and the financial position of the Group.

(c) Valuation of available-for-sale investments in Galaxy Automotive MS Inc.

As disclosed in note 15(2)(a) to the consolidated financial statements, on 14 August 2015, the Group acquired 29% equity interest in Galaxy Automotive MS Inc. ("Galaxy AMS") for a consideration of HK$27,975,000. The vendor had irrevocably and unconditionally guaranteed to the Group that audited consolidated gross profit of the Galaxy AMS for the year ended 31 December 2016 shall be no less than HK$6,500,000 ("Guaranteed Profit"). The Directors of the Company performed a valuation assessment on Galaxy AMS as at 31 December 2015. This was done with reference to a valuation report prepared by an independent valuer company using the income-based approach, profit forecast and financial data provided by the management of Galaxy AMS, and taking into account the Guaranteed Profit provided by the vendor of Galaxy AMS. On this basis, the Directors considered the fair value of the Group's investment in Galaxy AMS as at 31 December 2015 was HK$15,923,000 and a fair value loss on revaluation of available-for-sale financial assets of HK$12,052,000 was recognised in the other comprehensive income.

We were not able to obtain sufficient appropriate audit evidence to establish the reasonableness of bases and assumptions in carrying out the valuation of Galaxy AMS. There were no other alternate audit procedures that we could perform to satisfy ourselves that the fair value of the Group's investment in Galaxy AMS as at 31 December 2015 was free from material misstatement. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net assets as at 31 December 2015 and the other comprehensive income for the year then ended and the related note disclosures to the consolidated financial statements.

(d) Valuation of available-for-sale investments in Mountain Gold Holdings Inc.

As disclosed in note 15(2)(b) to the consolidated financial statements, on 19 October 2015, the Group acquired 6.4% equity interest in Mountain Gold Holdings Inc. ("Mountain Gold") at a consideration of HK$50,000,000. Mountain Gold indirectly holds a mining license called Jinping County Jinchangxi-Bize Gold Mine ("Mining License") and an exploration license called Jinping County Shierpan Gold Detailed Exploration Property ("Exploration License"), both located in Guizhou Province, the PRC. These are the sole and only assets of Mountain Gold. However, the Mining License expired in July 2015 and Exploration License expired in May 2016. Mountain Gold's operation is currently suspended as the mines are subject to the mine merger and consolidation plans as required by Guizhou Provincial Government. The management of Mountain Gold is in the process of applying for renewal of the Licenses with the relevant PRC government authorities, and up to the date of this report, the process has not been concluded and Mountain Gold has not yet been able to renew the Mining License and Exploration License. It is uncertain that the mining operation will be re-commenced in the near future. In accordance with the sale and purchase agreement between a wholly-owned subsidiary of the Company, the vendor and the shareholder of the vendor, the shareholder of the vendor has agreed to guarantee the performance of the obligations of the vendor.

The directors of the Company performed a valuation assessment on its investment in Mountain Gold as at 31 December 2015, with reference to the valuation report prepared by an independent valuer company using the market approach. The fair value of the Group's investment in Mountain Gold was valued at HK$52,214,634 and therefore a fair value gain on revaluation of available-for-sale financial assets of HK$2,214,634 was recognised in the other comprehensive income.

The valuation of Mountain Gold was based on the available information obtained and under the assumption that there are valid Mining License and Exploration License. We are not able to obtain sufficient appropriate audit evidence to satisfy ourselves in respect of (i) the prospect of renewing the Mining License and Exploration License, and (ii) whether the mining operation could be re-commenced in the near future. As a result we are unable to ascertain the reasonableness of the assumptions used in the valuation of Mountain Gold as at the end of the reporting period. There are no other alternate audit procedures that we could perform to satisfy ourselves that the fair value of the Group's investment in Mountain Gold is free from material misstatement. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net assets as at 31 December 2015 and the other comprehensive income for the year then ended and the related note disclosures to the consolidated financial statements.

(e) Limitation in scope in respect of representations from the certain directors of the Company

In view of the fact that certain directors had been suspended duties and some had resigned from the Company during the year and up to the date of this report, and the non-response to our request for direct communication, we are unable to satisfy ourselves that information and documentation we had obtained for the purpose of our audit were complete and accurate in relation to above (a) to (d) and subsequent event of the Company. We are not able to quantify the extent of adjustments that might have been necessary, if any, and the impact on the Group's consolidated financial statements for the year ended 31 December 2015.

DISCLAIMER OF OPINION

Based on the significant matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements, in particular as to whether they 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 as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM CPA Limited
Certified Public Accountants
Ho Pak Tat
Practising Certificate Number: P05215

Hong Kong
16 June 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Notes	2015 HK$	2014 HK$
Revenue	6	**840,901**	899,371
Net realised gain (loss) on disposals of available-for-sale financial assets		**3,665,506**	(3,241,210)
Net realised gain on disposals of financial assets at fair value through profit or loss		**3,846,224**	856,396
Net unrealised (loss) gain on financial assets at fair value through profit or loss		**(3,207,804)**	877,460
		5,144,827	(607,983)
Other income	6	**52,456**	63,172
Net (loss) gain on disposals of subsidiaries	27	**(317,275)**	780
Impairment loss on available-for-sale financial assets		**(29,232,240)**	—
Impairment loss on prepayments and deposits		**(1,215,000)**	—
Administrative expenses		**(65,908,706)**	(35,054,678)
Finance costs	8	**(1,221,793)**	(727)
Loss before tax	9	**(92,697,731)**	(35,599,436)
Income tax expense	10	**—**	—
Loss for the year attributable to owners of the Company		**(92,697,731)**	(35,599,436)
Loss per share	13		
— Basic (HK cents per share)		**(10.12)**	(4.65)
— Diluted (HK cents per share)		**(10.12)**	(4.65)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	2015 HK$	2014 HK$
Loss for the year attributable to owners of the Company	**(92,697,731)**	(35,599,436)
Other comprehensive income (expenses):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of a foreign operation	**(23,919)**	—
Exchange loss on translation of available-for-sale financial assets	**—**	(3,146)
Reclassification of exchange differences upon disposal of available-for-sale financial assets	**—**	7,160
Net gain (loss) arising on revaluation of available-for-sale financial assets	**31,499,434**	(10,578,330)
Reclassification of investment revaluation reserve upon disposals of available-for-sale financial assets	**10,824,319**	(3,861,706)
Other comprehensive income (expenses) for the year, net of tax	**42,299,834**	(14,436,022)
Total comprehensive expenses attributable to owners of the Company	**(50,397,897)**	(50,035,458)

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK$	2014 HK$
Non-current assets			
Property, plant and equipment	14	2,761,880	4,348,713
Available-for-sale financial assets	15	157,582,634	59,932,200
Rental deposit	16	1,610,071	—
		161,954,585	64,280,913
Current assets			
Prepayments, deposits and other receivables	16	19,071,121	26,122,506
Available-for-sale financial assets	15	24,274,600	—
Financial assets at fair value through profit or loss	17	50,968,080	9,031,600
Cash and cash equivalents	18	33,983,457	38,769,130
		128,297,258	73,923,236
Current liability			
Accruals and other payables	19	2,579,479	796,074
Net current assets		125,717,779	73,127,162
Total assets less current liability		287,672,364	137,408,075
Non-current liability			
Interest bearing loan notes	20	43,355,361	—
Net assets		244,317,003	137,408,075
Capital and reserves			
Share capital	21	55,351,000	38,256,000
Reserves		188,966,003	99,152,075
Total equity		244,317,003	137,408,075
Net asset value per share	13	0.22	0.18

The consolidated financial statements on pages 35 to 99 were approved and authorised for issue by the Board of Directors on 16 June 2016 and are signed on its behalf by:

Luk Hong Man, Hammond	**Zhang Xi**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	For the year ended 31 December 2015						
	Share capital HK$	Share premium HK$	Exchange reserve HK$	Share option reserve HK$	Investment revaluation reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2014	38,256,000	197,332,138	(4,014)	—	3,770,617	(51,911,208)	187,443,533
Loss for the year	—	—	—	—	—	(35,599,436)	(35,599,436)
Other comprehensive income (expenses) for the year:							
Exchange loss on translation of available-for-sale financial assets	—	—	(3,146)	—	—	—	(3,146)
Reclassification of exchange differences upon disposal of available-for-sale financial assets	—	—	7,160	—	—	—	7,160
Net loss arising on revaluation of available-for-sale financial assets	—	—	—	—	(10,578,330)	—	(10,578,330)
Reclassification of investment reserve upon disposal of available-for-sale financial assets	—	—	—	—	(3,861,706)	—	(3,861,706)
Total comprehensive income (expenses) for the year	—	—	4,014	—	(14,440,036)	(35,599,436)	(50,035,458)
At 31 December 2014 and 1 January 2015	38,256,000	197,332,138	—	—	(10,669,419)	(87,510,644)	137,408,075
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(92,697,731)**	**(92,697,731)**
Other comprehensive income (expenses) for the year:							
Exchange differences arising on translation of a foreign operation	**—**	**—**	**(23,919)**	**—**	**—**	**—**	**(23,919)**
Net gain arising on revaluation of available-for-sale financial assets	**—**	**—**	**—**	**—**	**31,499,434**	**—**	**31,499,434**
Reclassification of investment revaluation reserve upon disposals of available-for-sale financial assets	**—**	**—**	**—**	**—**	**10,824,319**	**—**	**10,824,319**
Total comprehensive income (expenses) for the year	**—**	**—**	**(23,919)**	**—**	**42,323,753**	**(92,697,731)**	**(50,397,897)**
Issue of shares under placement of ordinary shares	**16,800,000**	**127,545,000**	**—**	**—**	**—**	**—**	**144,345,000**
Shares issue expenses	**—**	**(2,404,743)**	**—**	**—**	**—**	**—**	**(2,404,743)**
Recognition of equity-settled share-based payments	**—**	**—**	**—**	**11,859,000**	**—**	**—**	**11,859,000**
Exercise of share options	**295,000**	**4,071,000**	**—**	**(858,432)**	**—**	**—**	**3,507,568**
Share options lapsed	**—**	**—**	**—**	**(8,700,305)**	**—**	**8,700,305**	**—**
At 31 December 2015	**55,351,000**	**326,543,395**	**(23,919)**	**2,300,263**	**31,654,334**	**(171,508,070)**	**244,317,003**

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK$	2014 HK$
Cash flows from operating activities			
Loss for the year		**(92,697,731)**	(35,599,436)
Adjustments for:			
Depreciation of property, plant and equipment	14	**921,873**	1,672,670
Impairment loss on available-for-sale financial assets	15	**29,232,240**	—
Interest income		**(825,401)**	(16,456)
Dividend income		**(15,500)**	(882,915)
Interest expense		**1,221,793**	727
Loss (gain) on disposals of subsidiaries		**317,275**	(780)
Loss on disposals of property, plant and equipment		**641,514**	6,658
Net realised (gain) loss on disposals of available-for-sale financial assets		**(3,665,506)**	3,241,210
Net realised gain on disposals of financial assets at fair value through profit or loss		**(3,846,224)**	(856,396)
Net unrealised loss (gain) on financial assets at fair value through profit or loss		**3,207,804**	(877,460)
Equity-settled share-based payments		**11,859,000**	—
Operating cash flows before movements in working capital		**(53,648,863)**	(33,312,178)
Decrease (increase) in prepayments, deposits and other receivables		**6,246,321**	(23,781,726)
Increase (decrease) in accruals and other payables		**1,783,405**	(1,043,926)
Proceeds on disposals of financial assets at fair value through profit or loss		**17,609,580**	11,650,655
Proceeds on disposals of available-for-sale financial assets		**56,872,025**	107,877,640
Purchase of financial assets at fair value through profit or loss		**(58,907,640)**	(18,713,703)
Purchase of available-for-sale financial assets		**(162,040,040)**	(22,794,177)
Cash (used in) generated from operations		**(192,085,212)**	19,882,585
Interest paid		**(302)**	(727)
Net cash (used in) generated from operating activities		**(192,085,514)**	19,881,858

	Notes	2015 HK$	2014 HK$
Cash flows from investing activities			
Interest received		20,379	16,456
Dividend received		15,500	882,915
Purchase of property, plant and equipment		(3,026,313)	(437,000)
Proceeds on disposals of property, plant and equipment		—	2,000
Net cash inflow from disposals of subsidiaries	27	2,732,499	780
Net cash (used in) generated from investing activities		(257,935)	465,151
Cash flows from financing activities			
Net proceeds from issue of shares		148,711,000	—
Net proceeds from issuance of interest-bearing loan notes		42,133,870	—
Shares issue expenses		(3,263,175)	—
Net cash generated from financing activities		187,581,695	—
Net (decrease) increase in cash and cash equivalents		(4,761,754)	20,347,009
Effect of foreign exchange rate change		(23,919)	—
Cash and cash equivalents at the beginning of the year		38,769,130	18,422,121
Cash and cash equivalents at the end of the year			
Represented by cash at bank and in hand	18	33,983,457	38,769,130

1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited since 2 January 2002. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The principal activities of the Company and its subsidiaries are engaged in investing in listed and unlisted securities. The principal activities of its subsidiaries are set out in note 30 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

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

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

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

2.2 New and revised HKFRSs issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective date yet 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.

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

2.2 New and revised HKFRSs issued but not yet effective *(continued)*

Key requirements of HKFRS 9 are described below:

- 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 was 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.

- 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.

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

2.2 New and revised HKFRSs issued but not yet effective *(continued)*

The Directors of the Company is in the process of making an assessment of the potential impact of the application of HKFRS 9 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

The Directors of the Company is in the process of making assessment of the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether these other new and revised HKFRSs would have any significant impact on its results of operations and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) have come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Engagement of an independent accounting firm to investigate the acquisition and chain of custody of certain commercial acceptance bills

On 9 October 2015, Profit Winner Investment Holdings Limited ("Profit Winner"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement for the acquisition of the entire share capital of Ultra Brave Company Limited ("Ultra Brave"). The sole asset of Ultra Brave was an investment in a commercial acceptance bill with a face value of RMB30,000,000 (the "RMB30M Bill") and a carrying value of HK$29,232,240 (equivalent to RMB24,000,000). The investment in the RMB30M Bill was acquired by Ultra Brave from a factoring company in the PRC (the "Factoring Company") pursuant to a transfer agreement ("Transfer Agreement"). It was understood that at the time of the acquisition of Ultra Brave, the RMB30M Bill was physically passed to the Company and kept in its safe. According to the terms of the Transfer Agreement, the Factoring Company was responsible for redeeming the RMB30M Bill on its maturity on 9 April 2016 and would repay Ultra Brave an amount of RMB24,000,000 together with interest calculated at 12% per annum.

On 17 December 2015, the Company made an announcement that the Company was carrying out an investigation into a suspected misappropriation of certain bills of exchange (the "Investigation") and the Company had reported the matter to the Hong Kong Police. Pending the results of the Investigation, the Company suspended all duties of three non-executive directors of the Company with effect from 16 December 2015. The Company further announced on 23 December 2015 that a special investigation committee ("SIC") was established for the purposes of addressing the matter of the misappropriation of the bills of exchange.

On 12 January 2016, the Company announced that the suspected misappropriation (the "Incident") involved an alleged misappropriation of the RMB30M Bill which "*took place via the replacement of the RMB30M Bill by three bills of exchange of RMB10 million denomination each*" (the "Three RMB10M Bills"). It was also stated that the Company understood from the PRC based drawer bank that the chop of the legal representative appearing on the Three RMB10M Bills did not match with the bank's records of the chop. In the view of the management of the Company, (i) the Incident appeared to be a standalone incident, (ii) the financial exposure of the Incident to the Company was limited to RMB30 million, (iii) insofar as operations of the Company were concerned the Incident had limited significance on the Company's operations, and (iv) except for the Incident, there had been no other irregularity with the operations of the Company.

On 17 February 2016, the SIC, on behalf of the Company, engaged an independent accounting firm to conduct an investigation into the Incident. On 3 May 2016, the independent accounting firm submitted an interim report on the investigation (the "Investigation Report") to the SIC. As at the date of this report, neither the RMB30M Bill nor the Three RMB10M Bills have been redeemed.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Engagement of an independent accounting firm to investigate the acquisition and chain of custody of certain commercial acceptance bills *(continued)*

On 17 May 2016, the Company announced that, based on the findings of the Investigation Report, the directors of the Company (the "Board") were of the view that the Three RMB10M Bills were likely to be forged. A summary of the key interim findings of the independent accounting firm is contained in the announcement. The Board Further took the view that any action taken by the Company to transfer, redeem or dispose of the Three RMB10M Bills was likely to attract legal consequences. Furthermore, the Board, based on (i) a letter from the issuer of the RMB30M Bill dated 26 April 2016 and (ii) the Company's understanding and belief, considered that the original RMB30M Bill which was removed from the Company's possession on 2 November 2015 (and replaced by the Three RMB10M Bills) was likely to be genuine although the independent accounting firm could not ascertain the authenticity of the original RMB30M Bill as the Company currently only has in its possession a copy of the said bill. A majority of the Board also considered that further investigation by the independent accounting firm was unlikely to be able to identify the culprit(s) of the Incident and/or the creator(s) of the Three RMB10M Bills. In the circumstances, the Board considered that it was unnecessary to proceed with any further investigation into the Incident and the SIC should be dissolved. Two directors (who were also members of the SIC) disagreed with dissolution of the SIC and resigned subsequently. According to the announcement on 17 May 2016, these two directors were concerned that "*the contents of the Investigation Report is alarming and further investigation needs to be carried out immediately to protect the interests of the Company and also to clarify whether there are any further misbehavior or breach of duty by senior management*". The two directors considered that the investigation should be proceed.

The Board considered that the impact of the Incident was HK$29,232,240 (equivalent to RMB24,000,000) being the cost of investment of the RMB30M Bill as at 31 December 2015. The Board made an impairment loss on the cost of investment of the RMB30M Bill of HK$29,232,240 which was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

According to the Company's announcement on 17 May 2016, the Company had been approached by the legal adviser of the Factoring Company in relation to the redemption of the Three RMB10M Bills but due to possible legal consequences, the Company needed to seek professional advice before it takes any action in respect of the Three RMB10M Bills. It is uncertain whether the Company may be able to seek recovery from the Factoring Company or any third party in respect of the investment. We have not been able to obtain sufficient and satisfactory audit evidence to satisfy ourselves as to the amount, if any, of the impairment loss on available-for-sale financial assets made.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of the 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 assets, goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation *(continued)*

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

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

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

The principal accounting policies are set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

Changes in the Group's ownership interests in existing subsidiaries (continued)

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.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

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 recognised using the effective interest rate.

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).

(c) Property, plant and equipment

Property, plant and equipment including leasehold improvements, office equipment and motor vehicles held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) 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 exchange 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 in which they arise except for exchange differences arising on a monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. 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.

(e) Leases

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.

In the event that lease incentives are received to enter into an operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(g) Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund ("MPF") Scheme are recognised as an expenses when employees have rendered service entitling them to the contributions.

(h) Share-based payment arrangements

Equity-settled share-based payment to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date using the Binomial Option Pricing Model taking into account the terms and conditions upon which the option were granted. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 23.

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.

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

(i) Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Taxation *(continued)*

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

The carrying amount of deferred tax assets is reviewed at the end of 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.

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

(j) Impairment of non-financial assets

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of non-financial assets *(continued)*

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

(k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(l) 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

The Group's financial assets are classified into the following specified categories: (i) financial assets at fair value through profit or loss ("FVTPL"), (ii) available-for-sale ("AFS") financial assets and (iii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments *(continued)*

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments *(continued)*

Financial assets (continued)

Financial assets at FVTPL *(continued)*

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 Financial Instruments: Recognition and Measurement 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 "revenue" line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 5.3.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated certain items as AFS financial assets on initial recognition of those items.

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 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 fair or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments *(continued)*

Financial assets (continued)

AFS financial assets *(continued)*

AFS debt 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 of financial assets below).

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

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 rental deposit, financial assets included in prepayments, deposits and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss of 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.

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 a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with exception of other 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 the other receivables are consider uncollectible, it is 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments *(continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Interest bearing loan notes

Interest bearing loan notes are recognised initially at fair value less attributable transaction cost. Subsequent to initial recognition, interest bearing loan notes are stated at amortised cost with any difference between the amount initially recognised together with any interest and fee payable, using the effective interest method.

Financial liabilities

The Group's financial liabilities (including financial liabilities included in accruals and other payables and interest bearing loan notes) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

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.

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 they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

(n) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks or other financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, having been within three months of maturing at acquisition. For the purpose of the consolidated statement of financial position, cash and cash equivalent comprise cash on hand and at bank, including fixed deposits, which are not restricted to use.

(o) Related parties

A related party is a person or an entity that is related to the Group.

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); or
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close member of the family of a person are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Group.

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 assumption 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.

Critical judgements in applying accounting policies

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

Depreciation

The Group depreciates the property, plant and equipment over their estimated useful life and after taking into account of their estimated residual values, using the straight-line method. The estimated useful life reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the Directors' estimated amount that the Group would currently obtain from the disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Key sources of estimation uncertainty

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

Impairment loss in respect of prepayments and deposits

The policy for impairment loss in respect of prepayments and deposits of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment of AFS financial assets

For AFS financial assets, a significant or prolonged decline in fair value below carrying value is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the management of the Group takes into account factors such as industry and sector performance and financial information regarding the investees.

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

Key sources of estimation uncertainty *(continued)*

Deferred tax assets

At 31 December 2015, no deferred tax asset has been recognised on the tax losses of HK$75,902,595 (2014: HK$79,529,835) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the estimated future assessable profits or taxable temporary difference are more than previously estimated, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which the revised estimate takes place.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purpose. The board of directors of the Company has a designated team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the Group's unlisted equity securities which are classified as available-for-sale financial assets, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent third party qualified valuers to perform the valuation of the Group's unlisted available-for-sale financial assets. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurement. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 input are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company. Information about the valuation techniques and inputs used in determining the fair value of the Group's unlisted equity securities are disclosed in note 5.3.

5. FINANCIAL INSTRUMENTS

5.1 Classifications of financial assets and financial liabilities

The table below provided a reconciliation of the line items in the statement of financial position to the categories of financial instruments.

Financial assets as at 31 December 2015	**Available-for-sale** HK$	**Financial assets at FVTPL** HK$	**Loan and receivables** HK$	**Total carrying amount** HK$
AFS financial assets	**181,857,234**	**—**	**—**	**181,857,234**
Rental deposit	**—**	**—**	**1,610,071**	**1,610,071**
Financial assets included in prepayment, deposits and other receivables	**—**	**—**	**18,491,509**	**18,491,509**
Financial assets at FVTPL	**—**	**50,968,080**	**—**	**50,968,080**
Cash and cash equivalents	**—**	**—**	**33,983,457**	**33,983,457**
Total	**181,857,234**	**50,968,080**	**54,085,037**	**286,910,351**

5. FINANCIAL INSTRUMENTS *(continued)*

5.1 Classifications of financial assets and financial liabilities *(continued)*

Financial liabilities as at 31 December 2015	**Financial liabilities at amortised cost HK$**
Financial liabilities included in accruals and other payables	**964,370**
Interest bearing loan notes	**43,355,361**
	44,319,731

Financial assets as at 31 December 2014	Available-for-sale HK$	Financial assets at FVTPL HK$	Loan and receivables HK$	Total carrying amount HK$
AFS financial assets	59,932,200	—	—	59,932,200
Financial assets included in prepayment, deposits and other receivables	—	—	24,935,806	24,935,806
Financial assets at FVTPL	—	9,031,600	—	9,031,600
Cash and cash equivalents	—	—	38,769,130	38,769,130
Total	59,932,200	9,031,600	63,704,936	132,668,736

The Group had no financial liability as at 31 December 2014.

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

5.2 Risk management

The management of financial risks is carried out by the investment manager and/or the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as equity price risk, credit risk, liquidity risk, interest rate risk and foreign currency risk, the use of financial instruments and the investment of excess liquidity.

The Group's major financial instruments include financial assets at fair value through profit or loss, available-for-sale financial assets, rental deposit, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, financial liabilities included in accruals and other payables and interest bearing loan notes. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include equity price risk, credit risk, liquidity risk, interest rate risk and foreign currency risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

5. FINANCIAL INSTRUMENTS *(continued)*

5.2 Risk management *(continued)*

(a) *Equity price risk*

The Group is exposed to equity price risk mainly through its investment in listed and unlisted equity securities. The Group's strategy for the management of market risk is driven by the Group's investment objective. The Group's market risk is managed on a daily basis by the investment manager and the Board of Directors in accordance with policies and procedures in place. The Group's market positions are monitored on a monthly basis by the Board of Directors, and the investments in equity of other entities are Hong Kong listed financial assets. Decisions to buy or sell financial assets are based on daily monitoring of the performance of individual financial assets compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the financial assets, the Group maintains a portfolio of diversified investments in terms of industry distribution such as manufacturing and financial services. In addition, the Group's management have monitored price risk and will consider hedging of the risk exposure if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to financial assets price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate remained at 15% in the current year.

If financial assets prices had been 15% higher/lower (2014: 15%), loss for the year ended 31 December 2015 would decrease/increase by HK$7,645,212 (2014: HK1,354,740) which is mainly due to the changes in fair value of financial assets designated as held for trading. Also, if the fair value of the available-for-sale financial assets had increased/decreased by 15% (2014: 15%) and all other variables were held constant, the investment revaluation reserve would increase/decrease by HK$23,637,395 (2014: HK$8,989,830).

(b) *Credit risk*

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Financial assets which potentially subject the Group to concentrations of credit risk consist principally of available-for-sale financial assets, financial assets designated as held for trading and bank balances.

The Group limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings which the Group considers to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by broker.

As at the end of the reporting period, the Group has concentration risk on the investment in listed equity securities and unlisted equity securities as approximately 48% and 23% to the total assets of the Group.

5. FINANCIAL INSTRUMENTS *(continued)*

5.2 Risk management *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's listed securities are considered readily realisable, as all securities are listed on Hong Kong stock exchange.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, was as follows:

At 31 December 2015	On demand/ within 12 months HK$	The two to five years HK$	More than five years HK$	Undiscounted cash flow HK$	Total carrying amount HK$
Financial liabilities included in accruals and other payables	964,370	—	—	964,370	964,370
Interest bearing loan notes	2,980,361	8,500,000	36,539,278	48,019,639	43,355,361
Total	3,944,731	8,500,000	36,539,278	48,984,009	44,319,731

The Group does not have any financial liabilities as at 31 December 2014.

(d) Interest rate risk

The Group's income and operating cash flow are substantially independent of changes in market interest rates.

The Group's exposure to risk of changes in market interest rates primarily to the Group's interest bearing bank deposits with hunting rates.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2014: 100 basis points) 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 100 basis points (2014: 100 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2015 would decrease/increase by HK$338,887 (2014: HK$387,373). This is mainly attributable to the Group's exposure to interest rates on its interest bearing bank deposit.

5. FINANCIAL INSTRUMENTS *(continued)*

5.2 Risk management *(continued)*

(e) *Foreign currency risk*

The functional currency of the Group is HK$ in which most of the transactions are denominated. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have any foreign currency hedging policy. However, the management will closely monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	ASSETS	
	2015	2014
	HK$	HK$
Canadian dollars ("CAD")	**—**	2,282
Renminbi ("RMB")	**24,316,690**	199
United States dollars ("USD")	**70,356**	300,056

Sensitivity analysis

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against HK$, the effect in loss for the year is as follow:

	IMPACT OF RMB	
	2015	2014
	HK$	HK$
Decrease/increase in loss for the year	**1,215,835**	10

(f) *Capital risk management*

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves. The Group had no debt as at 31 December 2015.

The Directors of the Company review the capital structure on a regular basis. As part of this review, the Directors of the Company consider the cost of capital and the risks associated with each class of capital. 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 and share buy-backs as well as the issue of new debt.

5. FINANCIAL INSTRUMENTS *(continued)*

5.3 Fair value estimation

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

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
At 31 December 2015				
AFS financial assets				
— Listed equity securities (note a)	**89,445,000**	**—**	**—**	**89,445,000**
— Unlisted equity securities (note b)	**—**	**—**	**68,137,634**	**68,137,634**
	89,445,000	**—**	**68,137,634**	**157,582,634**
Financial assets at FVTPL				
— Listed equity securities (note a)	**50,968,080**	**—**	**—**	**50,968,080**
Total	**140,413,080**	**—**	**68,137,634**	**208,550,714**

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
At 31 December 2014				
AFS financial assets				
— Listed equity securities (note a)	59,932,200	—	—	59,932,200
Financial assets at FVTPL				
— Listed equity securities (note a)	9,031,600	—	—	9,031,600
Total	68,963,800	—	—	68,963,800

Note:

(a) The fair value of listed equity securities classified as Level 1 was determined by the quoted closing price in an active market.

5. FINANCIAL INSTRUMENTS *(continued)*

5.3 Fair value estimation *(continued)*

(i) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (continued)

Note: (continued)

(b) The fair value of unlisted equity securities classified as Level 3 was determined by management's valuation assessment with reference to the valuation report provided by respective independent valuer companies. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques(s) and inputs used)

	2015 HK$	2014 HK$	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
AFS financial assets							
Unlisted equity securities in Galaxy Automotive MS Inc.	15,923,000	–	Level 3	Discount cash flow	Free cash flow	N/A	The higher the free cash flow, the higher the fair value
					Discount rate	15.8%	The higher the discount rate, the lower the fair value
					Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
Unlisted equity securities in Mountain Gold Holdings Inc.	52,214,634	–	Level 3	Market approach	Spot gold price	US$1,250/oz	The higher the gold price, the higher the fair value

5. FINANCIAL INSTRUMENTS *(continued)*

5.3 Fair value estimation *(continued)*

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

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follow:

	AFS financial assets-unlisted equity securities HK$
At 1 January 2014, 31 December 2014 and 1 January 2015	—
Purchases during the year	77,975,000
Change in fair values	(9,837,366)
At 31 December 2015	68,137,634

During the year ended 31 December 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil)

(ii) Fair value of financial instruments carried at other than fair value.

The carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost are not materially different from their fair values as at 31 December 2015 and 2014 due to their short-term maturities.

6. REVENUE AND OTHER INCOME

Revenue represents interest income and dividend income from financial assets for the year. An analysis of the Group's revenue and other income for the year is as follows:

	2015 HK$	2014 HK$
Revenue		
Interest income from:		
Deposits in banks and financial institutions	20,379	16,456
AFS financial assets	805,022	—
Dividend income from:		
Financial assets at FVTPL	15,500	134,648
AFS financial assets	—	748,267
	840,901	899,371
Other income		
Sundry income	52,456	63,172

7. SEGMENT INFORMATION

For the years ended 31 December 2015 and 2014, the Group's revenue were mainly interest income and dividend income from financial assets. The Directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating profits. The Group's segment revenue, assets and liabilities for the year, analysed by geographical markets, are as follows:

	Hong Kong		PRC & Others		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
Segment revenue:						
Interest income from deposits in banks and financial institutions	**20,379**	16,456	**—**	—	**20,379**	16,456
Interest income from AFS financial assets	**—**	—	**805,022**	—	**805,022**	—
Dividend income from financial assets at FVTPL	**15,500**	134,648	**—**	—	**15,500**	134,648
Dividend income from AFS financial assets	**—**	—	**—**	748,267	**—**	748,267
	35,879	151,104	**805,022**	748,267	**840,901**	899,371
Non-current assets*	**2,761,880**	4,348,713	**—**	—	**2,761,880**	4,348,713
Total assets	**208,956,140**	138,204,149	**81,295,703**	—	**290,251,843**	138,204,149
Segment liabilities	**45,934,840**	—	**—**	—	**45,934,840**	—
Unallocated					**—**	796,074
Total liabilities					**45,934,840**	796,074
Other segment information:						
Additions to property, plant and equipment	**3,026,313**	437,000	**—**	—	**3,026,313**	437,000

* The non-current assets information above is based on the locations of the assets and excluded AFS financial assets and rental deposit.

Given that the nature of the Group's operation is investment holding, there was no information regarding major customers as determined by the Group.

8. FINANCE COSTS

	2015 HK$	2014 HK$
Interest expenses on bank and broker accounts overdrafts	302	727
Effective interest expenses on interest bearing loan notes (note 20)	1,221,491	—
	1,221,793	727

9. LOSS BEFORE TAX

	2015 HK$	2014 HK$
The Group's loss before tax has been arrived at after charging the following items:		
Directors' remuneration (Note 11):		
Fees	1,678,401	300,000
Other emoluments	2,748,154	1,409,520
Discretionary bonuses	7,542,551	6,110,785
MPF contributions	36,000	33,500
Equity-settled share-based payments	1,290,858	—
Staff costs:		
Basic salaries and allowances	8,641,377	5,436,994
Discretionary bonuses	2,366,919	3,385,010
MPF contributions	185,283	158,804
Equity-settled share-based payments	9,454,917	—
Total staff costs (including Directors' remuneration)	33,944,460	16,834,613
Auditor's remuneration	670,000	330,000
Investment manager fee	1,064,695	1,151,666
Depreciation of property, plant and equipment	921,873	1,672,670
Impairment loss on AFS financial assets	29,232,240	—
Impairment loss on prepayments and deposits	1,215,000	—
Loss on disposals property, plant and equipment	641,514	6,658
Net foreign exchange losses	349,323	38,420
Operating lease charges in respect of office premises	4,945,642	4,059,000
Equity-settled share-based payments (other than directors and employees)	1,113,225	—

10. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided as the Group had no assessable profits in Hong Kong for the year (2014: Nil).

The tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2015 HK$	2014 HK$
Loss before tax	**(92,697,731)**	(35,599,436)
Tax at the domestic income tax rate of 16.5% (2014: 16.5%)	**(15,295,125)**	(5,873,907)
Tax effect of income not taxable for tax purpose	**(983,243)**	(304,000)
Tax effect of expenses not deductible for tax purpose	**12,006,438**	2,758,343
Tax effect of temporary differences previously not recognised	**(10,649)**	193,681
Tax effect of tax losses not recognised	**4,282,579**	3,225,883
Tax expense for the year	**—**	—

The domestic tax rate (which is Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

At the end of the reporting period, the Group has tax losses of HK$75,902,595 (2014: HK$79,529,835) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses do not expire under the current tax legislation and may be carried forward indefinitely.

The Group had no material unprovided deferred tax liabilities at the end of the reporting period (2014: Nil).

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to applicable Listing Rules, the Hong Kong Companies Ordinance and Companies (Disclosure of information about benefits of directors) Regulation (Cap. 622G), is as follow:

	2015					
	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonuses HK$	Mandatory provident fund contributions HK$	Equity-settled share-based payments HK$	Total HK$
Executive Directors						
Luk Hong Man, Hammond	—	1,248,043	3,680,548	18,000	215,143	5,161,734
Ye Yinggang (Note 1)	—	226,028	80,000	—	215,143	521,171
Zhang Xi	—	1,274,083	3,701,669	18,000	215,143	5,208,895
Non-Executive Directors						
Yao Yuan (Note 2)	480,000	—	72,000	—	—	552,000
Sui Guangyi (Chairman) (Note 3)	320,000	—	—	—	—	320,000
Shi Minqiang (Note 4)	211,613	—	—	—	—	211,613
Yao Zhixiang (Note 4)	211,613	—	—	—	—	211,613
Independent non-executive Directors						
Tsang Kwok Wa, Edward (Note 5)	87,479	—	—	—	215,143	302,622
Ng Man Fai, Matthew (Note 6)	41,670	—	8,334	—	—	50,004
Wong Chung Kin, Quentin (Note 7)	126,672	—	—	—	215,143	341,815
Leung Po Hon (Note 8)	120,000	—	—	—	215,143	335,143
Li Jiangtao (Note 9)	39,677	—	—	—	—	39,677
Zhang Qi (Note 10)	39,677	—	—	—	—	39,677
	1,678,401	2,748,154	7,542,551	36,000	1,290,858	13,295,964

11. DIRECTORS' AND EMPLOYEES' REMUNERATION *(continued)*

(a) Directors' remuneration *(continued)*

	2014					
	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonuses HK$	Mandatory provident fund contributions HK$	Equity-settled share-based payments HK$	Total HK$
Executive Directors						
Luk Hong Man, Hammond	—	576,720	3,048,060	16,750	—	3,641,530
Ye Yinggang (Note 1)	—	192,000	16,000	—	—	208,000
Zhang Xi	—	640,800	3,046,725	16,750	—	3,704,275
Independent non-executive Directors						
Tsang Kwok Wa, Edward (Note 5)	100,000	—	—	—	—	100,000
Ng Man Fai, Matthew (Note 6)	100,000	—	—	—	—	100,000
Wong Chung Kin, Quentin (Note 7)	100,000	—	—	—	—	100,000
	300,000	1,409,520	6,110,785	33,500	—	7,853,805

Notes:

(1) Resigned on 2 June 2016

(2) Appointed on 4 June 2015

(3) Appointed on 1 September 2015

(4) Appointed on 12 October 2015

(5) Reigned on 13 October 2015

(6) Resigned on 20 May 2015

(7) Resigned on 17 May 2016

(8) Appointed on 1 May 2015 and resigned on 9 May 2016

(9) Appointed on 12 October 2015

(10) Appointed on 12 October 2015 and resigned on 30 January 2016

The directors's emoluments disclosed above include their services in connection with the management of the affairs of the Company and the Group. There was no arrangement under which a director waived or agreed to waive any remuneration during the years.

11. DIRECTORS' AND EMPLOYEES' REMUNERATION *(continued)*

(a) Directors' remuneration *(continued)*

During the year, no retirement benefits, payment or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor any are payable (2015: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2015: Nil). There are no loans, quasi-loans and other dealing arrangements in favour of the directors, their controlled body corporates and connected entities (2015: Nil).

No directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2015: Nil).

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, three (2014: two) were Directors of the Company whose emoluments are included in the disclosures in note 11(a) above. The emolument of the remaining two employees (2014: three) were as follows:

	2015 HK$	2014 HK$
Basic salaries and other benefits	1,935,908	1,945,680
Discretionary bonuses	1,532,585	3,162,140
Mandatory provident fund contributions	33,000	50,250
Equity-settled share-based payments	215,143	–
	3,716,636	5,158,070

The emoluments of the five individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2015	2014
HK$Nil - HK$1,000,000	1	2
HK$1,000,001-HK$3,000,000	2	–
HK$3,000,001-HK$6,000,000	2	3

During the years ended 31 December 2015 and 2014, no remunerations were paid by the Group to any of the Directors of the Company or the five highest paid individuals of the Group (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDEND

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

13. NET ASSET VALUE PER SHARE AND LOSS PER SHARE

Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of HK$244,317,003 (2014: HK$137,408,075) by the number of shares in issue as at 31 December 2015, being 1,107,020,000 (2014: 765,120,000).

Loss per share

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of HK$92,697,731 (2014: HK$35,599,436) and the weighted average number of 916,098,904 (2014: 765,120,000) ordinary shares in issue during the year.

For the year ended 31 December 2015, the computation of diluted loss per share has not assumed the conversion of the Company's outstanding share options since they are anti-dilutive for the year ended 31 December 2015. Accordingly diluted loss per share are the same as basic loss per share. For the year ended 31 December 2014, there were no diluted potential ordinary shares and the diluted loss per share was the same as basic loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Office equipment HK$	Motor vehicles HK$	Total HK$
COST				
At 1 January 2014	796,360	551,243	6,803,271	8,150,874
Additions	—	—	437,000	437,000
Disposals	—	(10,324)	—	(10,324)
At 31 December 2014 and at 1 January 2015	796,360	540,919	7,240,271	8,577,550
Additions	1,339,813	968,500	718,000	3,026,313
Disposals	(796,360)	(540,919)	—	(1,337,279)
Disposal of subsidiaries	—	—	(7,240,270)	(7,240,270)
At 31 December 2015	**1,339,813**	**968,500**	**718,001**	**3,026,314**
DEPRECIATION AND IMPAIRMENT				
At 1 January 2014	174,637	116,139	2,267,057	2,557,833
Charge for the year	159,272	109,044	1,404,354	1,672,670
Eliminated upon disposals	—	(1,666)	—	(1,666)
At 31 December 2014 and at 1 January 2015	333,909	223,517	3,671,411	4,228,837
Charge for the year	216,176	126,762	578,935	921,873
Eliminated upon disposals	(410,090)	(285,675)	—	(695,765)
Disposal of subsidiaries	—	—	(4,190,511)	(4,190,511)
At 31 December 2015	**139,995**	**64,604**	**59,835**	**264,434**
CARRYING AMOUNTS				
At 31 December 2015	**1,199,818**	**903,896**	**658,166**	**2,761,880**
At 31 December 2014	462,451	317,402	3,568,860	4,348,713

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

Leasehold improvements	20% or over the lease term
Office equipment	20%
Motor vehicles	20%

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK$	2014 HK$
Listed equity securities, at cost (note 1)	**47,953,300**	70,601,619
Fair value adjustments	**41,491,700**	(10,669,419)
	89,445,000	59,932,200
Unlisted equity securities, at cost (note 2)	**77,975,000**	—
Fair value adjustments	**(9,837,366)**	—
	68,137,634	—
Unlisted debt instruments, at cost (note 3)	**53,506,840**	—
Less: Provision for impairment loss	**(29,232,240)**	—
	24,274,600	—
Total	**181,857,234**	59,932,200
Analysed for reporting purpose as:		
Non-current assets	**157,582,634**	59,932,200
Current assets	**24,274,600**	—
	181,857,234	59,932,200

Particulars of investments in listed equity securities, unlisted equity securities and unlisted debt instruments held by the Group as at 31 December 2015 and 2014 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Note 1: Listed equity securities, at fair value

Name of investee companies	Place of incorporation	Percentage of effective interest held	At cost 2015 HK$	At cost 2014 HK$	Fair value adjustment 2015 HK$	Fair value adjustment 2014 HK$	Carrying amounts 2015 HK$	Carrying amounts 2014 HK$
China Nuclear Industry 23 International Corporation Limited	Bermuda	–	–	42,956,294	–	(15,473,594)	–	27,482,700
Infinity Financial Group (Holdings) Limited (Previously known as Fornton Group Limited)	Bermuda	–	–	7,244,815	–	4,699,185	–	11,944,000
China Aircraft Leasing Group Holdings Limited	Cayman Islands	–	–	3,005,410	–	(49,910)	–	2,955,500
Kingbo Strike Limited (note a)	Cayman Islands	2.34%	17,395,100	17,395,100	11,104,900	154,900	28,500,000	17,550,000
China Baoli Technologies Holdings Limited (Previously known as REX Global Entertainment Holdings Limited (note b))	Bermuda	3.16%	30,558,200	–	30,386,800	–	60,945,000	–
			47,953,300	70,601,619	41,491,700	(10,669,419)	89,445,000	59,932,200

Notes:

(a) As at 31 December 2015, the Group held listed equity securities, being 15,000,000 shares or 2.34% equity interest in the Kingbo Strike Limited ("Kingbo Strike"), for a consideration of HK$17,395,100 and which is principally engaged in the provision of electrical engineering services.

For the year ended 30 June 2015 the audited consolidated profit from ordinary activities attributable to owners of Kingbo Strike was approximately S$3,887,451 (equivalent to approximately HK$22,373,058) and the basic earnings per share was S0.61 cents (equivalent to approximately HK3.51 cents). At 30 June 2015, its audited consolidated net assets value attributable to owners of Kingbo Strike was approximately S$23,087,762 (equivalent to approximately HK$132,874,688). No dividend was received during the year.

(b) As at 31 December 2015, the Group held listed equity securities, being 239,000,000 shares or 3.16% equity interest in the China Baoli Technologies Holdings Limited ("China Baoli"), for a consideration of HK$30,558,200 and which is principally engaged in entertainment and gaming business, property business, gamma ray irradiation services, resources business and securities trading and investment.

For the year ended 31 March 2015 the audited consolidated loss from ordinary activities attributable to owners of China Baoli was approximately HK$67,899,000 and the basic loss per share was HK1.07 cents. At 31 March 2015, its audited consolidated net assets value attributable to owners of China Baoli was approximately HK$227,039,000. No dividend was received during the year.

The Directors conducted a review of the Group's available-for-sale financial assets during the year and determined that the fair value adjustment is based on quoted closing price of available-for-sale financial assets in an active market.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Note 2: Unlisted equity securities, at fair value

			At cost		Fair value adjustment		Carrying amounts	
Name of investee companies	Place of incorporation	Percentage of effective interest held	2015 HK$	2014 HK$	2015 HK$	2014 HK$	2015 HK$	2014 HK$
Galaxy Automotive MS Inc. ("Galaxy AMS") (note a)	Republic of Vanuatu	29%	27,975,000	–	(12,052,000)	–	15,923,000	–
Mountain Gold Holdings Inc. ("Mountain Gold") (note b)	Republic of Vanuatu	6.4%	50,000,000	–	2,214,634	–	52,214,634	–
			77,975,000	–	(9,837,366)	–	68,137,634	–

Notes:

(a) On 14 August 2015, the Group acquired 29% equity interest of Galaxy AMS for a consideration of HK$27,975,000. The vendor had irrevocably and unconditionally guaranteed to the Group that audited consolidated gross profit of the Galaxy AMS for the year ended 31 December 2016 shall be no less than HK$6,500,000 ("Guaranteed Profit").

Galaxy AMS is principally engaged in the research and development and manufacturing of high-quality auto parts as well as research and development and sales of automobile system solutions. Galaxy AMS's current sales market includes China, Taiwan, Hong Kong and Macau.

As at 31 December 2015, the Directors of the Company had performed valuation assessment on Galaxy AMS. This was done with reference to the valuation report prepared by an independent valuer company using income-based approach, profit forecast and financial data provided by the management of Galaxy AMS, and taking into account the Guaranteed Profit provided by the vendor of Galaxy AMS. On this basis, the Directors considered the fair value of the Group's investment in Galaxy AMS as at 31 December 2015 was HK$15,923,000 and a fair value loss on revaluation of AFS financial assets of HK$12,052,000 was recognised in the other comprehensive income.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Notes: *(continued)*

(b) On 19 October 2015, the Group acquired 6.4% equity interest in Mountain Gold at a consideration of HK$50,000,000. Mountain Gold indirectly holds a mining license called Jinping Country Jinchangxi-Bize Gold Mine ("Mining License") and an exploration license called Jinping County Shierpan Gold Detailed Exploration Property ("Exploration License"), both located in Guizhou Province, the PRC, which are the sole and only assets of the Mountain Gold and which are the only subjects being valued in the valuation of Mountain Gold. However, the Mining License expired in July 2015 and Exploration license expired in May 2016. Mountain Gold's operation is currently suspended as the mines are subject to the mine merger and consolidation as required by Guizhou Provincial Government. The management of Mountain Gold is in the process of applying for renewal of the Licenses with the relevant PRC government authorities, and up to the date of auditor's report, the process has not been concluded and Mountain Gold has not yet been able to renew Mining license and Exploration license. It is uncertain that the mining operation will be re-commenced in near future. In accordance with the sale and purchase agreement between a wholly-owned subsidiary of the Company, the vendor and the shareholder of the vendor, the shareholder of the vendor has agreed to guarantee the performance of the obligations of the vendor.

As at 31 December 2015, the Directors of the Company had performed valuation assessment on its investment in Mountain Gold with reference to the valuation report by an independent valuer company using market approach. The fair value of the Group's investment in Mountain Gold was valued HK$52,214,634 and therefore a fair value gain on revaluation of AFS financial assets of HK$2,214,634 was recognised in other comprehensive income.

Note 3: Unlisted debt instrument, at cost

	At cost		Impairment loss		Carrying amounts	
Description of debt instruments	**2015 HK$**	2014 HK$	**2015 HK$**	2014 HK$	**2015 HK$**	2014 HK$
Investment in commercial acceptance bills with face value of RMB25 million (note a)	**24,274,600**	–	**–**	–	**24,274,600**	–
Investment in commercial acceptance bills with face value of RMB30 million (note b)	**29,232,240**	–	**(29,232,240)**	–	**–**	–
	53,506,840	–	**(29,232,240)**	–	**24,274,600**	–

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Notes:

(a) On 25 September 2015, Profit Winner Investment Holdings Limited ("Profit Winner"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement for the acquisition of the entire share capital of Beautiful Smile Holdings Limited ("Beautiful Smile"). The sole asset of Beautiful Smile was an investment in a commercial acceptance bill with a face value of RMB25,000,000 (the "RMB25M Bill") and a carrying value of HK$24,274,600 (equivalent to RMB20,000,000). The investment in the RMB25M Bill was acquired by Beautiful Smile from a factoring company in the PRC (the "Factoring Company") pursuant to a transfer agreement ("RMB25M Bill Transfer Agreement". It was understood that at the time of the acquisition of Beautiful Smile, the RMB25M Bill was passed to the Company and kept in its safe. According to the terms of the RMB25M Bill Transfer Agreement, the Factoring Company was responsible for redeeming the RMB25M Bill on its maturity on 18 March 2016 and would repay Beautiful Smile an amount of RMB20,000,000 together with interest calculated at 12% per annum. Subsequent to the end of the reporting period, the RMB25M Bill was fully redeemed and settled on 13 May 2016.

(b) On 9 October 2015, Profit Winner, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement for the acquisition of the entire share capital of Ultra Brave Company Limited ("Ultra Brave"). The sole asset of Ultra Brave was an investment in a commercial acceptance bill with a face value of RMB30,000,000 (the "RMB30M Bill") and a carrying value of HK$29,232,240 (equivalent to RMB24,000,000). The investment in the RMB30M Bill was acquired by Ultra Brave from the Factoring Company pursuant to a transfer agreement ("RMB30M Bill Transfer Agreement"). It was understood that at the time of the acquisition of Ultra Brave, the RMB30M Bill was passed to the Company and kept in its safe. According to the terms of the RMB30M Bill Transfer Agreement, the Factoring Company was responsible for redeeming the RMB30M Bill on its maturity on 9 April 2016 and would repay Ultra Brave an amount of RMB24,000,000 together with interest calculated at 12% per annum.

As disclosed in note 3 to the consolidated financial statements, the Board considered that the impact of the Incident was HK$29,232,240 (equivalent to RMB24 million) being the cost of investment of the RMB30M Bill as at 31 December 2015. The Board made an impairment loss on the cost of investment of the RMB30M Bill of HK$29,232,240 which was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

According to the Company's announcement on 17 May 2016, the Company had been approached by the legal adviser of the Factoring Company in relation to the redemption of the Three RMB10M Bills but due to possible legal consequences, the Company needed to seek professional advice before it takes any action in respect of the Three RMB10M Bills. It is uncertain whether the Company may be able to seek recovery from the Factoring Company or any third party in respect of the investment.

The Group's AFS debt investment do not have a quoted market price in an active market and those fair value cannot be reliably measured and therefore these AFS debt investment are measured at cost less identified impairment losses at the end of the reporting period.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$	2014 HK$
Prepayments for office rental	**579,612**	1,000,000
Other prepayments	**—**	186,700
Rental and utility deposits (note a)	**2,099,371**	482,610
Due from brokers	**7,183,191**	24,404,512
Interest receivables	**805,022**	—
Deposit paid for acquisition of an investment (note b)	**10,000,000**	—
Other receivables	**13,996**	48,684
	20,681,192	26,122,506
Portion classified as non-current assets	**(1,610,071)**	—
	19,071,121	26,122,506

Notes:

(a) Included in balances of rental and utility deposits, there is provision for impairment loss on deposits paid of HK$1,215,000 in relation to termination of sale and purchase contract of property located in Beijing ("S&P contract"), PRC which was signed between a wholly-owned subsidiary of the Company and the seller of the property, an independent third party (the "Property Seller"). As at 31 December 2015, the Company and its wholly-owned subsidiary has terminated the S&P contract as the Property Seller had not processed the change of usage of the property from residential to commercial and not completed the transaction in accordance with the S&P contract. In February 2016, the Company has engaged a PRC lawyer to process the refund of above deposits, As at the date of auditor's report, the refund for above deposits are not yet settled.

(b) On 10 September 2015, Grand Dragon Investment Development Limited ("Grand Dragon"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding ("MOU") with Qianhai Yun Hui Equity Investment Fund Management Co. Limited (the "Target Company") pursuant to which Grand Dragon would acquire the entire equity interest of the Target Company which held certain unlisted equity investments in PRC. A deposit of HK$8,000,000 was paid on signing of the MOU. Subsequent to the MOU, Grand Dragon signed an undated acquisition contract ("Acquisition Contract") with Ms. Yang Yan ("Ms. Yang"), the sole shareholder of the Target Company, for the acquisition of the Target Company, and another HK$2,000,000 was paid as deposit (in aggregate, the "Deposits"). However, the Group did not complete the due diligence work in the Target Company in accordance with the MOU and the Acquisition Contract and the Company's management eventually decided to terminate the Acquisition Contract. In February 2016, the Company engaged a PRC lawyer to negotiate with Ms. Yang for the refund of the Deposits.

Except for provision for impairment on deposits paid as mentioned in note (a) above, none of other above assets is either past due or impaired. The financial assets included in above balances relate to receivable for which there was no recent history of default.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK$	2014 HK$
Financial assets at held for trading — Equity securities listed in Hong Kong, at market value	**50,968,080**	9,031,600

The fair value of listed securities are based on their quoted market closing prices in an active market.

Particulars of investments of listed equity securities held by the Group as at 31 December 2015 and 2014 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Name of investee companies	Place of incorporation	Number of shares held	Percentage of effective interest held	Carrying amounts HK$	Market value HK$	Unrealised gain (loss) arising on revaluation HK$	Dividend received during the year HK$
At 31 December 2015							
Newtree Group Holdings Limited (note a)	Cayman Islands	8,200,000	0.91%	29,340,340	21,402,000	(7,938,340)	—
Tech Pro Technology Development Limited (note b)	Cayman Islands	16,704,000	0.26%	24,835,544	29,566,080	4,730,536	—
				54,175,884	50,968,080	(3,207,804)	—
At 31 December 2014							
HSBC Holding PLC	England	10,000	Less than 0.01%	791,500	740,000	(51,500)	38,761
PetroChina Company Limited	The People's Republic of China	130,000	Less than 0.01%	1,284,700	1,118,000	(166,700)	—
Tech Pro Technology Development Limited	Cayman Islands	1,176,000	Less than 0.01%	6,077,940	7,173,600	1,095,660	—
				8,154,140	9,031,600	877,460	38,761

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

A brief description of the business and financial information of the listed investee companies are extracted from their latest published annual reports is as follows:

Notes:

(a) As at 31 December 2015, the Group held listed equity securities, being 8,200,000 shares or approximately 0.91% equity interest in Newtree Group Holdings Limited ("Newtree"), for a consideration of HK$29,340,340 and which is principally engaged in manufacture and trading of clinical and household hygienic disposables and trading of related raw materials; trading of coal products; wholesale and retail of household consumables; sales and distribution of jewelries and watches; design and development of three-dimensional animations, augmented reality technology application and e-learning web education programs and provision of English language proficiency tests.

For the year ended 31 March 2015, the audited consolidated loss from ordinary activities attributable to owners of Newtree was approximately HK$258,875,000 and the basic loss per share was HK$31.78 cents. At 31 March 2015, its audited consolidated net assets value attributable to owners of Newtree was approximately HK$603,956,000. No dividend was received during the year.

(b) As at 31 December 2015, the Group held listed equity securities, being 16,704,000 shares or approximately 0.26% equity interest in Tech Pro Technology Development Limited ("Tech Pro"), for a consideration of HK$24,835,544 and which is principally engaged in manufacturing and sale of LED lighting products and energy saving services.

For the year ended 31 December 2015, the audited consolidated loss from ordinary activities attributable to equity shareholders of Tech Pro was approximately RMB192,208,000 (equivalent to approximately HK$229,861,547) and the basic loss per share was RMB2.99 cents (equivalent to approximately HK$3.58 cents). At 31 December 2015, its audited consolidated net assets value attributable to owners of Tech Pro was approximately RMB906,168,000 (equivalent to HK$1,083,686,000). No dividend was received during the year.

18. CASH AND CASH EQUIVALENTS

	2015 HK$	2014 HK$
Cash at bank and in hand	**33,983,457**	38,769,130

At the end of the reporting period, cash and cash equivalents comprised mainly cash on hand and in banks. Bank balances carry interest at market rates which range from 0.01% to 1% (2014: 0.01% to 1%) per annum.

Included in cash and cash equivalents in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the Group entities:

	2015	2014
CAD	**—**	CAD324
USD	**USD9,078**	USD38,469
RMB	**RMB34,213**	RMB157

19. ACCRUALS AND OTHER PAYABLES

	2015 HK$	2014 HK$
Accruals	**1,615,109**	796,074
Other payables	**964,370**	–
	2,579,479	796,074

20. INTEREST BEARING LOAN NOTES

The Company issued an unsecured interest bearing loan notes (the "Notes") to independent private investors through the placing agent in an aggregate principal amount of HK$30,000,000 with effective date from 29 April 2015 and 30 April 2015 which is repayable on the date falling 8 years from the date of issue of the Notes, which is 28 April 2023 and 29 April 2023 and a principal amount of HK$12,500,000 with effective date from 9 September 2015 which is repayable on the date falling 8 years from the date of issue of the Notes (the "Maturity Date"). The Company has the right at any time after the second year of the issue date of the Notes to the Maturity Date to redeem the whole or part of the outstanding Notes at the redemption amount with not less than 15 business days written notice, specifying the amount to be redeemed and the date of such redemption (the "Redemption Right"). But the noteholder has no right to require the Company to redeem the Notes before the Maturity Date.

The Notes carry interest at the fixed rate of 5% per annum payable semi-annually in arrears on 31 March and 30 September in each year ("Interest Payment Date"), provided that the first Interest Payment Date shall fall on 31 March 2016 and the final repayment of the interest shall be on the Maturity Date.

On initial recognition, the Directors consider that the principal amount of the Notes approximates to its fair value.

The Redemption Right is regarded as embedded derivatives in the host contract. The Redemption Right is not recognised in the consolidated financial statements since the Directors consider that the probability of exercise of the Redemption Right is remote. The Director have assessed the fair values of the Redemption Right at initial recognition and at the end of the reporting period and consider that the fair values were insignificant. Accordingly, both fair values were not accounted for in the consolidated financial statements as at 31 December 2015.

The Notes are measured at amortised cost, using the effective interest method. The effective interest rates of the Notes are ranged from 5.08% to 5.15%.

The Notes were recognised in the consolidated statement of financial position of the Group is calculated as follows:

	HK$
Principal value of the Notes on initial recognition	42,500,000
Direct transaction costs	(366,130)
	42,133,870
Effective interest expense (Note 8)	1,221,491
At 31 December 2015	43,355,361

21. SHARE CAPITAL

	Number of ordinary share of HK$0.05 each	Nominal value HK$
Authorised:		
At 1 January 2014, 31 December 2014 and 31 December 2015	**4,000,000,000**	**200,000,000**
Issued and fully paid:		
At 1 January 2014, 31 December 2014 and 1 January 2015	**765,120,000**	**38,256,000**
Issue of shares under placement of shares (Note a)	**336,000,000**	**16,800,000**
Exercise of share options (Note b)	**5,900,000**	**295,000**
At 31 December 2015	**1,107,020,000**	**55,351,000**

Note a:

On 28 May 2015, 153,000,000 shares were issued by the Company as a result of a placing agreement dated 7 May 2015. Shares were issued at a price of HK$0.465 giving the gross proceeds of approximate HK$71,145,000.

On 8 September 2015, 183,000,000 shares were issued by the Company as a result of a placing agreement dated 14 August 2015. Shares were issued at a price of HK$0.4 giving the gross proceeds of approximate HK$73,200,000.

Note b:

On 7 July 2015, 5,900,000 share options were exercised at the subscription price of HK$0.74, and total of 5,900,000 shares were issued with an aggregate nominal value of HK$295,000.

22. RESERVES

The Company

	Share premium HK$	Share option reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2014	197,332,138	—	(65,431,695)	131,900,443
Loss and total comprehensive expenses for the year	—	—	(36,218,526)	(36,218,526)
Balance at 31 December 2014 and at 1 January 2015	197,332,138	—	(101,650,221)	95,681,917
Loss and total comprehensive expenses for the year	—	—	(70,595,572)	(70,595,572)
Recognition of equity-settled share-based payments	—	11,859,000	—	11,859,000
Issuance of shares upon share placing	127,545,000	—	—	127,545,000
Exercise of share options	4,071,000	(858,432)	—	3,212,568
Lapsed of share options	—	(8,700,305)	8,700,305	—
Share issue expenses	(2,404,743)	—	—	(2,404,743)
Balance at 31 December 2015	**326,543,395**	**2,300,263**	**(163,545,488)**	**165,298,170**

23. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 June 2011. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Listing Rules to subscribe shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 332,106,000, representing 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant, without prior approval from the Company's shareholders.

23. SHARE OPTION SCHEME *(continued)*

Share options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 on the acceptance. Options may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board of Directors to each grantee but must not be exercised after the expiry of ten years from the date of grant of the option. There is no minimum period for which an option must be held or a performance target that must be achieved before an option can be exercised specified in the terms of the Scheme. However, the Board of Directors may provide restrictions on the exercise of an option during the period an option may be exercised including, if appropriate, a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price is determined by the Board of Directors, and should not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer of the option which must be a business day, (ii) the average of the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the option and (iii) the nominal value of the Share on the date of offer of the option.

The Scheme will remain in force for a period of 10 years commencing on 27 June 2011.

For the year ended 31 December 2015, the Company granted 76,512,000 share options with an exercise price of HK$0.74 per share under the Share Option Scheme.

The following table disclosed details of the Company's options under the Scheme held by directors, employees and other participants and the movements during the year ended 31 December 2015.

Grantee	Date of Grant	Exercise price	Exercisable period	At 1 January 2015	Granted during the Year	Exercised during the year	Expired during the year	Lapsed during the year	Outstanding at 31 December 2015
		HK$							
Executive Directors									
Luk Hong Man, Hammond	17/6/2015	0.74	16/6/2025	–	765,120	–	–	–	765,120
Zhang Xi	17/6/2015	0.74	16/6/2025	–	765,120	–	–	–	765,120
Ye Yinggang	17/6/2015	0.74	16/6/2025	–	765,120	–	–	–	765,120
Independent non-executive directors									
Wong Chung Kin, Quentin	17/6/2015	0.74	16/6/2025	–	765,120	–	–	–	765,120
Tsang Kwok Wa, Edward	17/6/2015	0.74	16/6/2025	–	765,120	–	–	(765,120)	–
Leung Po Hon	17/6/2015	0.74	16/6/2025	–	765,120	–	–	–	765,120
Associates									
Yao Aiyun	17/6/2015	0.74	16/6/2025	–	765,120	–	–	(765,120)	–
Subtotal				–	5,355,840	–	–	(1,530,240)	3,825,600
Employees and other participants	17/6/2015	0.74	16/6/2025	–	71,156,160	(5,900,000)	–	(56,839,840)	8,416,320
Total				–	76,512,000	(5,900,000)	–	(58,370,080)	12,241,920

23. SHARE OPTION SCHEME *(continued)*

The share option is vested immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. For the year ended 31 December 2015, 5,900,000 share options had been exercised; 58,370,080 share options had been lapsed and no options had been expired under the Scheme.

The fair value of the total options granted in the year measured on 17 June 2015 determined using Binomial Option Pricing Model was HK$11,859,000. The significant inputs into the model were share price of HK$0.71 at the grant date, an exercise price shown above, an expected volatility of 77.12%, no dividend yield, an expected option life of ten years and an annual risk free interest rate of 1.77%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last ten years.

24. RETIREMENT BENEFITS SCHEME

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme ("MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a maximum contribution of HK$1,500 per month with effect from 1 June 2014 (from 1 January 2013 to 31 May 2014: HK$1,250) and thereafter contributions are voluntary.

25. RELATED PARTY AND CONNECTED TRANSACTIONS

During the year, the Group had the following significant related party and connected transactions:

	Note	**2015** **HK$**	2014 HK$
Investment management fee paid to Asia Investment Management Limited	(i)	**1,064,695**	1,151,666

Note:

(i) The investment management fee was paid under the investment management agreement entered into between the Company and Asia Investment Management Limited ("AIM") who acted as the Investment Manager of the Company for a period of two years commencing from 1 February 2013 and expiring on 31 January 2015 and the supplemental investment management agreement dated 30 January 2015 which has extended the appointment of AIM on the same terms to 31 January 2017. Under the relevant investment management agreement and supplemental investment management agreement, the investment management fee payable to the Investment Manager was HK$80,000 per month together with expenses reimbursement up to a maximum amount of HK$200,000 per annum. The supplemental investment management agreement was terminated with effect from 23 September 2015.

The Investment Manager is defined as a connected person of the Company pursuant to the Rule 21.13 of the Listing Rules.

25. RELATED PARTY AND CONNECTED TRANSACTIONS *(continued)*

Compensation of key management personnel

The remuneration of Directors during the year was as follows:

	2015 HK$	2014 HK$
Directors' fee	**1,678,401**	300,000
Other emoluments and other benefits	**2,748,154**	1,409,520
Discretionary bonuses	**7,542,551**	6,110,785
Mandatory provident fund contributions	**36,000**	33,500
Equity-settled share-based payments	**1,290,858**	—
	13,295,964	7,853,805

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

26. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	2015 HK$	2014 HK$
Within one year	**5,883,984**	1,000,000
In the second to fifth year inclusive	**8,555,976**	—
	14,439,960	1,000,000

Operating lease payments represent rental payables by the Group for its office premises. Leases are negotiated and fixed respectively for an average term of two to three years.

27. NET (LOSS) GAIN ON DISPOSALS OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES

During the year 2015, the Group disposed of its 100% equity interest in Attractive Bright Limited together with its subsidiaries, Auspicious Grace Limited together with its subsidiaries, Blazing Source Limited together with its subsidiary and Hero Linker Investment Limited with its subsidiary and Happy Amigo Limited with its subsidiaries to independent third parties for an aggregate consideration of HK$8,031,972, resulting in a net loss on disposal of subsidiaries of HK$317,077. The Group also disposed of its 100% equity interest in Serene Goodwill Limited together with its subsidiaries to a director of Serene Goodwill Limited for a consideration of HK$330,000 resulting in a loss on disposal HK$198.

The aggregate net assets of the subsidiaries at the date of disposal are as follow:

	HK$
Motor vehicles	3,049,759
Other receivables	15
Cash and cash equivalents	5,629,473
Net assets disposal of:	8,679,247
Total consideration	(8,361,972)
Net loss on disposals	317,275

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

Net cash inflow arising on disposal:	
Cash consideration received	8,361,972
Cash and cash equivalents disposed of	(5,629,473)
	2,732,499

During the year 2014, the Group disposed of its 100% equity interest in Rambo Treasure Limited and its subsidiaries to an independent third party for a cash consideration of HK$780, resulting in a gain on disposal of subsidiaries of HK$780.

The Group deregistered two dormant subsidiaries, Friendly Hong Kong Investment Limited and Marvelous Affluence Limited, which were incorporated in Hong Kong and British Virgin Islands respectively. There was no gain or loss arising from the deregistration.

28. LITIGATIONS

With reference to the Company's announcement dated 31 March 2016, on 29 March 2016, a generally-endorsed writ of summons (the "Writ") was issued by Ms. Yang Yan as the plaintiff ("Plaintiff") against the Company and Grand Dragon Investment Development Limited ("Grand Dragon"), a subsidiary of the Company, (collectively "Defendants") in the High Court of the Hong Kong under High Court Action 796 of 2016. The claim against each of the Defendants is for the forfeiture of deposit for RMB10,000,000 paid by the Defendants in relation to the Defendants' failure to commence the process of due diligence work of the target company, despite repeated requests, and wrongfully repudiating the agreement. The Company and Grand Dragon has taken into consideration the advice from their legal advisers, and believes that at this early stage it is not possible to assess the validity or the strength of the Plaintiff's claim. No provision in respect of such claims was made in the consolidated financial statements.

29. EVENTS AFTER THE END OF THE REPORTING PERIOD

Except for disclosed in notes 3, 15, 16 and 28, according to the Company's announcement on 6 June 2016, proceedings were commenced by an individual called Fan Weiyong against the Company and certain directors on 2 and 3 June 2016, alleging (among other things) that negligent misstatements and/or fraud and/or breaches of directors' duties and company secretary's duties under statutes and common law in relation to provision or dissemination of false and/or misleading information through announcements published on The Stock Exchange of Hong Kong Limited from December 2015 to May 2016 for damages and other relief. The allegations have not been particularised in the writs of summons and the claim has not been quantified.

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Interests in subsidiaries

	2015 HK$	2014 HK$
Interests in subsidiaries		
Unlisted shares, at cost	**7,020**	3,900
Impairment loss recognised	**–**	(2,340)
	7,020	1,560
Amounts due from subsidiaries	**187,801,488**	34,794,983
Impairment loss recognised	**(58,195,580)**	(29,875,580)
	129,605,908	4,919,403
Amounts due to subsidiaries	**(12,282,816)**	(28,309,096)
Advances to subsidiaries	**110,563,462**	124,050,702

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/registered capital	Proportion ownership interest and voting power held by the Company Directly 2015	Directly 2014	Indirectly 2015	Indirectly 2014	Principal activity
Eternity Sky Limited	British Virgin Islands	100 shares of US$1 each	–	–	100%	100%	Investment holdings
Final Destination Limited	British Virgin Islands	100 shares of US$1 each	–	–	100%	100%	Investment holdings
Hong Kong Golden Day Investment Limited	Hong Kong	100 shares of HK$1 each	–	–	100%	100%	Investment holdings
Hong Kong Toprich Investment Limited	Hong Kong	100 shares of HK$1 each	–	–	100%	100%	Securities investments
Ace Provision Limited	Republic of Vanuatu	100 shares of US$1 each	100%	100%	–	–	Investment holdings
Best Keen International Limited	Republic of Vanuatu	100 shares of US$1 each	100%	100%	–	–	Investment holdings
Valid Host Limited	Hong Kong	100 shares of HK$1 each	–	–	100%	100%	Securities investments
Big Star Ventures Limited	Vanuatu	100 shares of US$1 each	100%	–	–	–	Investment holdings
Grand Dragon Investment Development Limited	Republic of Seychelles	100 shares of US$1 each	–	–	100%	–	Investment holdings
Magic Color Limited	Hong Kong	100 shares of HK$1 each	–	–	100%	–	Inactive
Radiant Top Limited	Republic of Seychelles	100 shares of US$1 each	–	–	100%	–	Investment holdings
深圳華創金盛投資諮詢有限公司	PRC	(Note a)	–	–	100%	–	Inactive

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/registered capital	Proportion ownership interest and voting power held by the Company Directly 2015	Directly 2014	Indirectly 2015	Indirectly 2014	Principal activity
Kingdom Stage Limited	Republic of Seychelles	100 shares of US$1 each	–	–	100%	–	Investment holdings
Globe Golden Rich Limited	Hong Kong	100 shares of HK$1 each	–	–	100%	–	Investment holdings
深富盛創(深圳)貿易有限公司	PRC	(Note a)	–	–	100%	–	Inactive
Enrich Bloom Limited	Republic of Seychelles	100 shares of US$1 each	–	–	100%	–	Investment holdings
Golden Trend China Limited	Hong Kong	100 shares of HK$1 each	–	–	100%	–	Investment holdings
金創中海(深圳)供應鏈管理有限公司	PRC	(Note a)	–	–	100%	–	Inactive
Superb Champion Limited	Republic of Seychelles	100 shares of US$1 each	–	–	100%	–	Investment holdings
Field On Limited	Hong Kong	100 shares of HK$1 each	–	–	100%	–	Inactive
Sun Speed Limited	Republic of Seychelles	100 shares of US$1 each	–	–	100%	–	Investment holdings
Profit Winner Investment Holdings Limited	Republic of Seychelles	100 shares of US$1 each	–	–	100%	–	Investment holdings
Ultra Brave Company Limited	Vanuatu	100 shares of US$1 each	–	–	100%	–	Investment in debt instrument
Beautiful Smile Holdings Limited	Vanuatu	100 shares of US$1 each	–	–	100%	–	Investment in debt instrument

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid share capital/registered capital	Proportion ownership interest and voting power held by the Company Directly		Indirectly		Principal activity
			2015	2014	2015	2014	
Growth Achieved Limited	Republic of Seychelles	100 shares of US$1 each	–	–	100%	–	Investment holdings
Poly Well Worldwide Limited	Hong Kong	100 shares of HK$1 each	–	–	100%	–	Holding of vehicle
Shine Gift Limited	Hong Kong	100 shares of HK$1 each	–	–	100%	–	Investment holdings
Victory Pride Limited	Republic of Seychelles	100 shares of US$1 each	–	–	100%	–	Investment holdings
Billion Surplus Inc Limited	Hong Kong	100 shares of HK$1 each	–	–	100%	–	Investment holdings
Mighty Leader Limited	Vanuatu	100 shares of US$1 each	–	–	100%	–	Investment holdings
Art Cheer Limited	Vanuatu	100 shares of US$1 each	–	–	100%	–	Investment holdings

Note a: The companies have not fully paid capital as at 31 December 2015.

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

31. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2015 HK$	2014 HK$
Non-current assets		
Investments in subsidiaries (note 30)	7,020	1,560
Property, plant and equipment	914,808	21,747
Rental deposit	1,610,071	—
	2,531,899	23,307
Current assets		
Prepayments, deposits and other receivables	10,946,824	—
Advances to subsidiaries (note a)	110,563,462	124,050,702
Amounts due from subsidiaries (note b)	129,605,908	4,919,403
Cash and cash equivalents	24,698,254	33,930,934
	275,814,448	162,901,039
Current liabilities		
Accruals and other payables	2,059,000	677,333
Amounts due to subsidiaries (note b)	12,282,816	28,309,096
	14,341,816	28,986,429
Net current assets	261,472,632	133,914,610
Total assets less current liabilities	264,004,531	133,937,917
Non-current liability		
Interest bearing loan notes (Note 20)	43,355,361	—
Net assets	220,649,170	133,937,917
Capital and reserves		
Share capital (note 21)	55,351,000	38,256,000
Reserves (note 22)	165,298,170	95,681,917
Total equity	220,649,170	133,937,917

Luk Hong Man, Hammond
Director

Zhang Xi
Director

31. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

(a) Advanced to subsidiaries are unsecured and repayable on demand. Interest is charged on the outstanding balance at 5% per annum as quoted by the current Hong Kong Dollars Best Lending Rate from Hong Kong and Shanghai Banking Corporation Limited.

(b) Amounts due from/to subsidiaries are unsecured, interest-free and have no fixed term of repayment.

32. COMPARATIVE FIGURES

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

Five Years Financial Summary

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	HK$	HK$	HK$	HK$	HK$
Results					
Revenue	**840,901**	899,371	1,718,126	1,191,439	2,363,375
Loss before tax	**(92,697,731)**	(35,599,436)	(19,998,068)	(20,937,188)	(12,070,510)
Income tax expense	**—**	—	—	—	—
Loss for the year attributable to owners of the Company	**(92,697,731)**	(35,599,436)	(19,998,068)	(20,937,188)	(12,070,510)
Assets and Liabilities					
Total assets	**290,251,843**	138,204,149	189,283,533	188,663,145	231,849,420
Total liabilities	**(45,934,840)**	(796,074)	(1,840,000)	(843,545)	(13,092,882)
Total assets less total liabilities	**244,317,003**	137,408,075	187,443,533	187,819,600	218,756,538
Share capital	**55,351,000**	38,256,000	38,256,000	38,256,000	38,256,000
Reserves	**188,966,003**	99,152,075	149,187,533	149,563,600	180,500,538
Equity attributable to owners of the Company	**244,317,003**	137,408,075	187,443,533	187,819,600	218,756,538
Loss per share					
— Basic and diluted (HK cents)	**(10.12)**	(4.65)	(2.61)	(2.74)	(1.72)