realord

偉祿集團控股有限公司
REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 1196

Annual Report 2016

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lin Xiaohui *(Chairman)*
Su Jiaohua *(Chief Executive Officer)*
Lin Xiaodong

Independent Non-executive Directors

Yu Leung Fai
Fang Jixin
Li Jue

AUDIT COMMITTEE

Yu Leung Fai *(Chairman)*
Fang Jixin
Li Jue

REMUNERATION COMMITTEE

Li Jue *(Chairman)*
Lin Xiaohui
Yu Leung Fai

NOMINATION COMMITTEE

Lin Xiaohui *(Chairman)*
Yu Leung Fai
Fang Jixin

COMPANY SECRETARY

Chan Ying Kay

LEGAL ADVISER

Michael Li & Co.

INDEPENDENT AUDITORS

Ernst & Young
22th Floor CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
China Merchants Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFJ Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

STOCK CODE

1196

COMPANY WEBSITE

http://www.realord.com.hk

FIVE YEAR FINANCIAL HIGHLIGHTS

Results

	Year ended 31 December			Period from 1 April to 31 December	Year ended 31 March	
	2016	2015	2014	2014	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Audited)	(Represented)[3]	(Unaudited)	(Audited)	(Represented)[1]	(Represented)[1]
Revenue	**209,784**	207,732	105,761	89,184	80,076	82,020
Profit/(Loss) from operations	**228,022**	50,036	(6,380)	3,286	(6,570)	5,652
Finance costs	**(19,847)**	(1,690)	(156)	(101)	(177)	(132)
Profit/(Loss) before income tax	**208,175**	48,346	(6,536)	3,185	(6,747)	5,520
Income tax expense	**(128,078)**	(15,707)	(10,637)	(6,258)	(5,285)	(2,853)
Profit/(Loss) for the year/period from continuing operations	**80,097**	32,639	(17,173)	(3,073)	(12,032)	2,667
(Loss)/Profit for the year/period from discontinued operations	**–**	–	(21,411)	(3,743)	(412)	15,146
Profit/(Loss) for the year/period	**80,097**	32,639	(38,584)	(6,816)	(12,444)	17,813

Assets and Liabilities

	As at 31 December			As at 31 March	
	2016	2015	2014	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Audited)	(Audited)	(Audited)	(Audited)	(Restated)[2]
Property, plant and equipment	**78,649**	86,764	9,820	140,761	180,674
Investment properties	**1,106,525**	552,900	135,730	123,040	104,260
Prepaid lease payments	**–**	–	–	2,644	2,727
Goodwill	**2,100**	2,100	–	–	–
Other intangible asset	**4,400**	4,400	–	–	–
Other assets	**–**	–	–	1,100	1,100
Finance lease receivables	**6,401**	6,546	–	–	–
Available-for-sale investments	**13,844**	13,844	7,344	–	–
Deferred tax assets	**188**	31	137	590	251
Prepayments and deposits	**36,460**	13,878	–	–	11,098
Current assets	**359,279**	456,574	331,834	379,011	378,998
Total assets	**1,607,846**	1,137,037	484,865	647,146	679,108
Current liabilities	**48,893**	49,725	20,462	112,754	92,545
Interest-bearing bank borrowings	**250,288**	186,825	100,000	13,618	24,504
Loans from the ultimate holding company	**241,596**	–	–	–	–
Deferred tax liabilities	**168,972**	46,075	32,939	34,980	39,368
Total liabilities	**709,749**	282,625	153,401	161,352	156,417
Net assets	**898,097**	854,412	331,464	485,794	522,691

1 The figures were represented upon the reclassification of discontinued operations resulting from the disposal of Brilliant Stage Holdings Limited.

2 The figures were restated upon the adoption of the new and revised Hong Kong Financial Reporting Standards.

3 The figures were restated upon the reclassification of property investment segment as reportable operating segment.

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to report the financial results of the Group for the year ended 31 December 2016.

RESULTS

During the year under review, the Group recorded a total revenue of approximately HK$209.8 million and profit attributable to equity holders of approximately HK$80.1 million. Basic earning per share was HK6.95 cents, based on the weighted average of 1,152,614,130 shares in issue during the year. The improvement of the results of the Group was mainly attributable to the fair value gains on investment properties for the year of approximately HK$270.5 million.

DIVIDENDS

The Directors do not recommend the payment of interim and final dividend (2015: Nil) for the year ended 31 December 2016. Total dividend for the year is nil (2015: Nil).

OUTLOOK

The operating environment of the commercial printing and hangtag businesses will continue to be competitive in the coming years. The Group shall strengthen its business development team to achieve sales growth and increase market share, however, the intense competition in the Commercial Printing Segment shall limit the Group to pass the inflating operating cost to customers. Due to the deteriorating operating environment of Hangtag Segment, we foresee that customers' demand of hangtags, labels, shirt paper boards and plastic bags would remain sluggish. The Group shall adopt a more conservative strategy by simplifying the operation process and reducing the operation scale.

The Group would extend the Motor Vehicle Parts Segment to the retail operation. The Group is in the process to set up retail shops in Hong Kong and the PRC in order to gain direct access to the consumer market. The Group expect that the PRC operation will effectively contribute to the expansion of this business segment. Besides, the Group is sourcing different brands of motor vehicle parts in order to broaden the variety of products offered to our customers.

CHAIRMAN'S STATEMENT

During the year, the Group is in the process to develop the Financial Services Segment, which would provide financial services including securities brokerage, margin financing, money lending and financial leasing services. As mentioned in "Recent Development" section, the Group had entered into an agreement with 5 other independent third parties to set up a Securities Company to carry out securities businesses in the PRC. Through the Securities Company, the Group could tap into the securities business in the PRC, which was considered as a strictly regulated industry. The Directors believe the set-up of the Securities Company, when materialised, represents a valuable investment opportunity for the Group to expand its securities services business and to enable the Group to exchange its business network and relationship in the PRC, and hence to gain a foothold in the PRC market. With the launch of the Shenzhen-Hong Kong Stock Connect Scheme, the preferential government policies and the Securities Company to be established, the Directors believe the Group would sustain a long term growth in the Financial Services Segment.

In June 2016, the Group completed the acquisition of the properties located at Qiankeng Industrial Zone, Fumin Community, Guanlan Town, Baoan District, Shenzhen, the PRC, the acquisition is considered as a good investment opportunity for the Group to invest in the PRC property market. Together with the properties situated at Zhangkengjing Community, Guanlan, Baoan district, Shenzhen, the PRC (the "Zhangkengjing Land") acquired in September 2015, they are considered as the paramount assets of the Group to evolve the real estate development business. The Group is in the process to study on the possibilities to change the land use of the Zhangkengjing Land to the use as office buildings and associated apartments and facilities. Looking forward, the Group will keep track with the economic and urban renewal development in the PRC and will strike to explore for any potential real estate development or property investment opportunities.

The Group will diversify its business into scrap materials industry upon the acquisition of Top Eagle International Trading Limited. In view of the government's plan to foster the development of the recycling industry, the Directors are optimistic about the prospects of the scrap materials industry and are of the view that it is an opportunity for the Group to further diversify the business scope of the Group.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our staff for their dedication and contributions and our customers, suppliers, business associates and shareholders for their continuous support at the present business environment.

By Order of the Board
Lin Xiaohui
Chairman

Hong Kong, 30 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

RECENT DEVELOPMENTS

The principal activities of the Group during the year under review included the provision of financial printing, digital printing and other related services (“Commercial Printing Segment”), manufacture and sale of hangtags, labels, shirt paper boards and plastic bags (“Hangtag Segment”), distribution and sale of motor vehicle parts (“Motor Vehicle Parts Segment”), provision of securities brokerage services and margin financing (“Financial Services Segment”), and trading of electronic products and computer equipment (“Trading Segment”), and property investment (“Property Investment Segment”).

On 24 March 2016, the Group entered into an acquisition agreement to conditionally acquire the entire equity interest in Citibest Global Limited (“Citibest”), which holds the properties situated at Qiankeng Industrial Zone, Fumin Community, Guanlan Town, Baoan District, Shenzhen, the PRC, at a cash consideration of RMB238 million. The acquisition was completed on 24 June 2016.

On 23 May 2016, the Group entered into an agreement with 5 other independent third parties, pursuant to which the parties agreed to set up a security company (“Security Company”) in Guangzhou Pilot Free Trade Zone, Nanshan area in the PRC, to carry out securities businesses in the PRC. Pursuant to the agreement, upon establishment of the Security Company, the Group agreed to subscribe for 350,000,000 shares of the Security Company in cash, representing 10% equity interests thereof, at an aggregate subscription price of RMB350 million. The establishment of the Security Company is pending for the approval of the China Securities Regulatory Commission and other relevant regulatory authorities in the PRC.

On 5 September 2016, the Group and Fortune Victory Asia Corporation (“Fortune Victory”), an independent third party, entered into an acquisition agreement, pursuant to which the Group has conditionally agreed to acquire, and Fortune Victory has conditionally agreed to sell 60% of the issued share capital of Top Eagle International Trading Limited, which in turn holds the entire equity interest in 廣西梧州市通寶再生物資有限公司 (Guangxi Wuzhou City Tong Bao Renewable Materials Limited*), which is principally engaged in the business of dismantling and trading of scrap materials. The acquisition was completed on 28 February 2017.

* *For identification purpose only*

On 24 October 2016, the Group and 深圳市夏浦光電技術有限公司 (Shenzhen Xiapu Photoelectricity Technology Co., Ltd*) ("Shenzhen Xiapu") entered into the memorandum of understanding, pursuant to which (i) the Group appointed 深圳市偉祿置業有限公司 (Shenzhen Realord Realty Limited*) ("Realord Realty"), a direct wholly-owned subsidiary of Shenzhen Xiapu and a qualified property developer in the PRC, to apply on its behalf for the change of use of land held by the Group with a total area of 7,141.33 square meters, which is situated at Zhangkengjing Community, Guanlan, Baoan district, Shenzhen, the PRC; and (ii) Shenzhen Xiapu intends to grant, and the Group intends to accept, an option to require the transfer and assignment by Shenzhen Xiapu of all of its rights and benefits under a joint development agreement dated 18 August 2016 entered into by Shenzhen Xiapu and 深圳市樟坑徑股份有限公司 (Shenzhen Zhangkengjing Joint Stock Company*). The aforesaid option shall be exercisable at the discretion of the Group at an exercise price of RMB15 million. The intention to grant of the option by Shenzhen Xiapu is subject to the entering into of the formal agreement. Up to the date of annual report, no formal agreement is entered between both parties.

FINANCIAL REVIEW

Overview

During the year under review, as a result of the acquisition of the properties situated at Qiankeng Industrial Zone, Fumin Community, Guanlan Town, Baoan District, Shenzhen, the PRC as mentioned in the "Recent Development" section, the management had separately disclosed the Property Investment Segment due to the increase in both the value of property investments and the rental income received by the Group. For comparison purpose, figures for the last year were restated accordingly.

During the year under review, the Group recorded a total revenue of approximately HK$209.8 million, representing an increase of approximately 1.0% as compared to that of the last year of approximately HK$207.7 million (restated). The Group recorded a profit of approximately HK$80.1 million for the year as compared to a profit of HK$32.6 million for the last year.

The Group noted a slight increase in revenue of approximately 1.0% during the year under review. Revenue arising from the Financial Services Segment and the Property Investment Segment recorded a remarkable increase of approximately 119.0% and 198.2% to HK$10.9 million and HK$17.0 million respectively as compared to that of the last year. However, due to the deteriorating operating environment of the Hangtag Segment and thin margin of the Trading Segment, the revenue of the both segments decreased significantly of approximately 26.4% and 100% to approximately HK$8.5 million and nil respectively as compared to that of the last year. The increase in revenue arising from the Financial Services Segment and the Property Investment Segment was mostly offset by the decrease in revenue arising from the Hangtag Segment and the Trading Segment.

* *For identification purpose only*

The increase in profit attributable to the equity holders was noted. The increase in profit was mainly due to the increase in revenue arising from the Property Investment Segment of approximately HK$11.3 million and the fair value gains on investment properties of approximately HK$270.5 million (2015: HK$90.1 million), which was partly offset by the related deferred taxation of the fair value gains of approximately HK$125.1 million (2015: HK$14.5 million), the revaluation deficit on property, plant and equipment of approximately HK$17.3 million (2015: HK$2.1 million) as well as the increase in finance cost of approximately HK$18.2 million. The increase in finance cost was mainly due to the increase in interest-bearing borrowings during the year.

Business Review

The Commercial Printing Segment contributed a revenue of approximately HK$72.7 million, representing 34.7% of the Group's total revenue during the year. There was a slight increase in revenue by 6.6% to approximately HK$72.7 million as compared to that of the last year of approximately HK$68.2 million. However, due to the increase in the operation cost, the operating profit decreased to approximately HK$0.9 million as compared to the operating profit of approximately HK$1.2 million for the last year.

The Hangtag Segment contributed a revenue of approximately HK$8.5 million, representing 4.0% of the Group's total revenue during the year. The revenue from the Hangtag Segment decreased by 26.4% as compared to the revenue of the last year of approximately HK$11.5 million. The decrease was mainly resulted from decrease in orders from customers, which were mainly from the garment industry. Through implementation of cost control measures, included outsourcing part of the manufacturing processes, the operating loss decreased to approximately HK$0.4 million for the year as compared to the operating loss of approximately HK$2.3 million for the last year.

The Motor Vehicle Parts Segment contributed a revenue of approximately HK$100.6 million, representing 48.0% of the Group's total revenue during the year. The revenue from the Motor Vehicle Parts Segment recorded a slight increase by 5.5% to approximately HK$100.6 million as compared to the revenue of the last year of approximately HK$95.4 million. However, due to the increase in administrative expenses for expansion of the operation, the operating profit decreased to approximately HK$5.0 million for the year as compared to approximately HK$5.7 million for the last year.

The Group commenced the operations in the Financial Services Segment subsequent to the completion of acquisition of Realord Manureen Securities Limited in May 2015 which engaged in provision of securities brokerage and margin financing services in Hong Kong. The Group also acquired Qianhai Meilin Finance Leases (Shenzhen) Company Limited (through the acquisition of Manureen Group Holdings Limited as disclosed in the circular dated 16 October 2015) in November 2015 and planned to extend its financial service business to financial leasing in the PRC. The Financial Services Segment generated a revenue of approximately HK$10.9 million, representing 5.2% of the Group's total revenue during the year. The Financial Services Segment recorded an increase in revenue by 119.0% to approximately HK$10.9 million as compared to approximately HK$5.0 million for the last year. Due to the increase in the revenue, the segment recorded an operating profit of approximately HK$2.4 million for the year as compared to operating loss of approximately HK$1.2 million for the last year.

As a result of the thin margin in the Trading Segment, the Group did not generate any revenue from this business, while the revenue from the Trading Segment recorded approximately HK$21.9 million for the last year. Therefore, the Trading Segment noted an operating loss of approximately HK$0.4 million (2015: operating loss of HK$0.2 million) during the year.

The Property Investment Segment recorded a revenue of approximately HK$17.0 million during the year, representing 8.1% of the total revenue of the Group. The revenue from this business increased by 198.2% to approximately HK$17.0 million as compared to approximately HK$5.7 million (restated) in the last year. The increase was due to more rental income resulted from the acquisition of the properties located at Qiankeng Industrial Zone, which contributed additional revenue to the business during the year. Due to the fair value gains on investment properties recorded during period amounted to approximately HK$270.5 million (2015: HK$90.1 million), the profit from this business increased to approximately HK$282.4 million during the year as compared to the profit of approximately HK$90.6 million (restated) in the last year.

The Group has invested in listed securities in Hong Kong for trading purpose. The financial assets of the Group recorded a net loss of approximately HK$1.0 million during the year. As at 31 December 2016, the fair value of the financial assets amounted to approximately HK$18.6 million.

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated cash flow, cash reserve, banking facilities and facility provided by the ultimate holding company. The Group is financially sound with healthy cash position. Its cash and bank balances, restricted cash and pledged time deposits as at 31 December 2016 amounted to approximately HK$56.0 million (2015: HK$210.6 million) in aggregate.

Its gearing ratio as at 31 December 2016 was 54.8% (2015: 21.9%), based on the interest-bearing borrowings of approximately HK$491.9 million (2015: HK$186.8 million) and total equity of the Group of HK$898.1 million (2015: HK$854.4 million).

The directors consider that the Group's cash holding, liquid assets, future revenue, available banking facilities and the facility provided by the ultimate holding company will be sufficient to fulfill the present working capital requirements of the Group.

Foreign Exchange

Most of the transactions of the Group were denominated in Hong Kong dollars, US dollars, Euro and Renminbi; while the Group held cash of approximately RMB10.9 million reserved for operating and treasury purpose as at 31 December 2016.

The Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and will adopt financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose as at 31 December 2016.

Financial Guarantees and Charges on Assets

As at 31 December 2016, corporate guarantees amounting to approximately HK$291.5 million were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries. Besides, the general banking facilities were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK$442.1 million respectively.

As at 31 December 2015, corporate guarantees amounting to approximately HK$220.0 million were given to bank by the Company for the provision of general banking facilities granted to its subsidiaries. Besides, the general banking facilities were secured by legal charges on the pledged time deposit and a property owned by the Group with a total net book value of approximately HK$102.8 million and HK$288.0 million respectively.

PRINCIPAL RISKS AND UNCERTAINTIES

Concentration risk

The five largest customers of the Group contributed approximately 47.1% of the total turnover of the Group; while the five largest suppliers of the Group contributed approximately 75.0% of the total purchases of the Group. The concentration of sales and purchases on certain customers and suppliers may poses risk to the Group operation in that failure in any of these customers and suppliers may have adverse financial effect on the Group.

Credit risk

The account receivables amounted to HK$246.7 million as at 31 December 2016, which comprise amounts due from clients from Financial Services Segment amounted to HK$119.6 million; amounts due from customers from Motor Vehicle Parts Business amounted to HK$118.7 million; amounts due from customers from other businesses amounted to HK$8.4 million.

The amounts due from clients from Financial Services Business comprise balance receivable from cash client and margin client. The cash clients are required to place deposits before execution of any purchase transactions and are due within the settlement period which are usually within a few days from the trade date. The credit risk arising from the amounts due from cash clients is considered to be low. The amounts due from margin clients are repayable on demand and the margin clients are required to place securities and/or cash deposits as collateral. On a daily basis, the management monitored market conditions and adequacy of collateral of each margin client. Margin calls and forced liquidation are made where necessary.

The customers from Motor Vehicle Parts Business are normally granted with credit terms. The management believes that no impairment allowance is considered necessary in respect of these balances as the customers have continuous settlement. However, the default of any of these clients would adversely impact the financial results and position of the Group.

Market risk

Investment properties

The Group held significant assets classified as investment properties for earning rental income and capital appreciation. Revaluation of investment properties would be conducted regularly by independent appraiser at reporting date and any surplus/deficiency was recorded as revaluation surplus/deficit in the income statement. Fair value of investment properties could be affected by a number of factors, such as property market condition, interest rate, political environment, etc. The change in fair value could significantly affect the financial results and position of the Group.

Financial assets

The Group held certain financials assets for trading purpose, the fluctuation in stock price of the portfolio of listed securities could significantly affect the profitability of the Group. According to the Hong Kong Financial Reporting Standard, the gain/loss on listed securities should be booked as fair value gain/loss on investment held for trading in the statement of profit or loss. The fluctuation in stock price could impact the Group's profitability. The directors will closely monitor the stock market and make changes to the investment portfolio in order to maximize shareholders' return.

LAWS AND REGULATIONS

Laws and regulations in relation to the financial services sector, workplace quality and environmental protection may have a material effect on the Group's principal activities.

Operation in regulatory sector

The Financial Services Business of the Group operates in a highly regulated sector. The risk of non-compliance with regulatory requirements could lead to the loss of operating licenses. Therefore, we make it a top priority to ensure compliance with the relevant rules and regulations, and to stay up to date on new laws and regulations. The Group has implemented policies and procedures designed to ensure compliance with the most relevant laws and regulations.

To the best of our knowledge, the Group has complied with the relevant regulations for our financial services business in Hong Kong. We did not identify any material non-compliance or breach of legislation.

Workplace Quality

The Group believes that continued business success relies on the full contribution and support of our employees. We are dedicated to promoting equal opportunities for all of our employees in different areas, including recruitment, compensation and benefits, training, staff promotion, transfer, and dismissal. All employees are assessed based on their ability, performance and contribution, irrespective of their nationality, race, religion, gender, age or family status.

The Group is committed to the health, safety and welfare of our employees. We pledge full compliance in all occupational health and safety legislations and we have implemented an effective and safe working environment for our employees.

The Group has complied with labour or other relevant legislations. We did not identify any material non-compliance or breach of legislation related to workplace quality.

Environmental Protection

The Group is committed to protecting and sustaining the environment through reduced consumption of electrical power. We are committed to upholding high environmental standards to fulfill relevant requirements under applicable laws or ordinances.

We did not identify any material non-compliance or breach of relevant standards, rules and regulations on air and greenhouse gas emission, discharges into water and land, generation of hazardous or non-hazardous water, etc.

RELATIONSHIP WITH EMPLOYEES

The Group recognize employees as the most important assets of the Group. The contribution and support of employees are valued at all times. The Group regularly reviews the remuneration policies according to the market benchmarks, financial results and individual performance of employees. Other staff benefit plans are provided to enhance the employees' loyalty and satisfaction.

RELATIONSHIP WITH SUPPLIERS

Fair and Open Competition

The Group promotes fair and open competition that aims to develop long term relationships with suppliers based on mutual trust.

Public Interest and Accountability

The procurement from suppliers or service providers is conducted in a manner consistent with the highest ethical standards. This helps assure high products quality at all times to gain the confidence of customers, suppliers and the public.

Procurement and Tendering Procedures

The contracting of services and the purchase of goods are based solely on need, quality and price. This ensures compliance with procurement policies and fosters positive and open competition.

RELATIONSHIP WITH CUSTOMERS AND CLIENTS

Customer Services

The Group seeks to provide efficient and courteous customer service to maintain customer satisfaction and co-operation. Customers have access to information about the operation and development of the Group through annual reports and the company website. The Group shall not make any misrepresentation, exaggeration or overstatement.

ENVIRONMENTAL AND SOCIAL POLICIES

Details of the environmental and social policies of the Group are set out in the Environmental, social and Governance Report on pages 30 to 37.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2016, the Group had a total workforce of 133, of whom 105 were based in Hong Kong and 28 were based in the People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and merits. Salaries are normally reviewed on an annual basis and bonuses, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

Corporate Social Responsibility has become common practice. The Group cares to save energy, reduce waste during our day-to-day operations, and to protect the environment by implementing a series of measures in energy conservation and paper recycling etc.

EXECUTIVE DIRECTORS

Dr. Lin Xiaohui ("Dr. Lin"), aged 43, obtained a post-graduate diploma in business administration from the Society of Business Practitioners in December 2013, a Master degree of business administration from the City University College of Science and Technology in September 2014 and a Honorary Doctorate degree of Business Administration from the SABI University in August 2015. Since 2005, Dr. Lin has held management positions in a number of private companies in which he has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Dr. Lin is a member of the Committee of Shenzhen City of the Chinese People's Political Consultative Conference and a member of the Committee of Futian District, Shenzhen City of the Chinese People's Political Consultative Conference. Dr. Lin is the spouse of Madam Su and the brother of Mr. Lin Xiaodong. Dr. Lin joined the Group in June 2014.

Madam Su Jiaohua ("Madam Su"), aged 44, obtained the advanced diploma in business studies from Ashford College of Management & Technology Singapore in September 2012. Since 2005, Madam Su has held management positions in a number of private companies in which she has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Madam Su also served as a member of the People's Congress of Futian District, Shenzhen City since April 2012, and a member of the People's Congress of Shenzhen City since May 2015. Madam Su is the spouse of Dr. Lin. Madam Su joined the Group in June 2014.

Mr. Lin Xiaodong ("Mr. Lin"), aged 34, obtained a Bachelor of Commerce and Administration in Commercial Law and International Business from the Victoria University of Wellington, New Zealand in 2007. He has worked in the Branch Office of Shenzhen Municipal Office of the State Administration of Taxation* (深圳市國家稅務局直屬分局) from 2007 to 2009. He has undertaken various managerial roles in a company owned by Dr. Lin and Madam Su since 2009. Mr. Lin Xiaodong is the brother of Dr. Lin. Mr. Lin Xiaodong joined the Group in June 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Leung Fai ("Mr. Yu"), aged 40, has extensive experience in the corporate services field. Mr. Yu has joined the corporate and PRC services of Fung, Yu & Co. CPA Limited since 2001 and is currently the principal of the division. He holds a Degree of Bachelor of Commerce (Hon.) from the University of Toronto and a Degree of Bachelor of Laws from the University of London, and is a member of the American Institute of Certified Public Accountants, Certified Public Accountants of Australia and the Hong Kong Institute of Certified Public Accountants.

* *For identification purpose only*

Mr. Yu has also been the joint company secretary and authorized representative of China National Materials Co. Ltd. (stock code: 1893) since May 2009; the company secretary and alternative authorized representative of Beijing Media Corporation Ltd. (stock code: 1000) since March 2010; the company secretary and authorized representative of Yuanda China Holdings Limited (stock code: 2789) since June 2012; the company secretary of Sany Heavy Equipment International Holdings Company Limited (stock code: 631) since February 2017, all of which are companies listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr. Yu joined the Group in June 2014.

Mr. Fang Jixin ("Mr. Fang"), aged 35, holds a Master degree in Civil and Commercial Law from Wuhan University. Mr. Fang was a legal assistant and a solicitor in the Shu Jin Law Firm from 2005 to 2008 and in the compliance and management division of China International Capital Corporation Limited from 2008 to 2012. He has joined Shenzhen City Zhidongli Precise Technology Company Limited* (深圳市智動力精密技術股份有限公司) since 2012 and is currently the deputy general manager and secretary to the board (董事會秘書). Mr. Fang joined the Group in June 2014.

Dr. Li Jue ("Dr. Li"), aged 41, graduated in Jilin University School of Law, obtained a Bachelor degree in Laws in 1997, a Master degree in Civil and Commercial Law in 2001 and a Doctorate degree in Civil and Commercial Law in 2013. In 2014, Dr. Li joined the post-doctoral research station jointly established by the Center for Assessment and Development of Real Estate, Shenzhen* (深圳市房地產評估發展中心) and the Harbin Institute of Technology, PRC, and engaged in researches relating to the real estate industry. Dr. Li was employed by the Bank of China (Shenzhen Branch) from 2001 to 2013. Since 2015, Dr. Li has been employed by the School of Finance and Economics at the Shenzhen Institute of Information Technology. Dr. Li joined the Group in June 2014.

SENIOR MANAGEMENT

Mr. Chan Ying Kay ("Mr. Chan"), aged 53, is the chief financial officer and company secretary of the Company. Mr. Chan has over 27 years of experience in accounting and finance. Mr. Chan is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Chan joined the Group in July 2016.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 47 to the financial statements.

An analysis of the Group's performance for the year ended 31 December 2016 by business operating segments and geographical information is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the financial position of the Group at that date are set out in the financial statements on pages 43 to 155.

No interim and final dividend have been declared during the year ended 31 December 2016 and 31 December 2015.

FIVE YEAR FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the last five fiscal years is set out on page 3.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the Management Discussion and Analysis on pages 7 to 9.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 31 December 2016 are set out in note 30 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2016, the Company repurchased a total of 3,490,000 shares on the Stock Exchange at an aggregate consideration of approximately HK$17,556,000. All the repurchased shares were subsequently cancelled. The summary details of those transactions are as follows:

Month	Number of shares repurchased	Price per share Highest	Price per share Lowest	Total price paid HK$ (approximately)
September 2016	3,490,000	HK$5.03	HK$5.03	17,556,000

Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company's reserve available for distribution amounted to HK$7,240,000 (2015: HK$50,080,000).

MAJOR CUSTOMERS AND SUPPLIERS

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

(1) The aggregate amount of turnover attributable to the Group's five largest customers represented 47.1% of the Group's total turnover. The amount of sales to the Group's largest customer represented 12.4% of the Group's total turnover.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 75.0% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 21.0% of the Group's total purchases.

None of the directors of the Company, their associates or any shareholder (who, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 December 2016.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:
Dr. Lin Xiaohui
Madam Su Jiaohua
Mr. Lin Xiaodong

Independent non-executive directors:
Mr. Yu Leung Fai
Mr. Fang Jixin
Dr. Li Jue

Mr. Fang Jixin and Dr. Li Jue will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with Bye-law 87 of the Company's Bye-laws.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to rule 3.13 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and as at the date of this report, still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

No director of the Company as of the date of this report has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in notes 8 and 40 to the financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

	Number of shares held					
Name of directors	Personal interests (held as beneficial owner)	Corporate interests	Spouse interests	Interest from options granted under share option scheme	Total interests	Total interests as % of the issued share capital
Dr. Lin Xiaohui	–	785,001,518 *(Note 1)*	1,080,000 *(Note 3)*	1,080,000	787,161,518	68.45%
Madam Su Jiaohua	–	–	786,081,518 *(Note 2)*	1,080,000	787,161,518	68.45%
Mr. Lin Xiaodong	–	–	–	1,000,000	1,000,000	0.09%
Mr. Yu Leung Fai	–	–	–	500,000	500,000	0.04%
Mr. Fang Jixin	–	–	–	500,000	500,000	0.04%
Dr. Li Jue	–	–	–	500,000	500,000	0.04%

Notes:

1. As at 31 December 2016, Manureen Holdings Limited ("MHL") was the legal and beneficial owner of 785,001,518 shares. Since Dr. Lin Xiaohui owned 70% of the issued share capital of MHL, he was deemed to be interested in 785,001,518 shares.

2. Madam Su Jiaohua, the spouse of Dr. Lin Xiaohui, was deemed to be interested in 786,081,518 shares which Dr. Lin Xiaohui was deemed to be interested under the SFO as at 31 December 2016.

3. Dr. Lin Xiaohui, the spouse of Madam Su Jiaohua, was deemed to be interested in all the shares interested by his spouse under the SFO as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, none of the directors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, so far as is known to the directors, the following persons (other than a director or chief executive of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held	Percentage of issued capital
MHL	Beneficial owner	785,001,518	68.26%

Note:

As at 31 December 2016, MHL was the legal and beneficial owner of 785,001,518 Shares. MHL was owned as to 70% by Dr. Lin Xiaohui and as to 30% by Madam Su Jiaohua.

Save as disclosed above, as at 31 December 2016, other than the directors and chief executive of the Company whose interests or short positions are set out in the paragraph headed "Directors' and chief executive's interests and short position in shares, underlying shares or debentures of the Company or its associated corporations" above, the directors and chief executive of the Company were not aware of any person who had any interest or short position in the shares or underlying shares of the Company according to the register of interest required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

The share option scheme (the "Scheme") adopted by the Company was approved by the shareholders at the annual general meeting of the Company held on 10 August 2012 and is effective for a period of 10 years commencing on 10 August 2012. The purpose of the Scheme is to attract and retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group or any invested entity through granting of options to eligible participants. Further details of the Scheme are disclosed in note 31 to the financial statements.

Movements of the share options under the share option scheme during the year are as follows:

Name of Grantee	Date of Grant	Exercise Period	Exercise price per share (HK$)	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2016
Directors								
Lin Xiaohui	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,080,000	–	–	–	1,080,000
Su Jiaohua	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,080,000	–	–	–	1,080,000
Lin Xiaodong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Yu Leung Fai	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
Fang Jixin	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
Li Jue	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
				4,660,000	–	–	–	4,660,000
Direcotors' associates								
Lin Xiaohong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Su Jiawen	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Lin Yixin	20/5/2015	20/5/2017 – 19/5/2025	4.11	300,000	–	–	–	300,000
Lin Jingming	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
				3,300,000	–	–	–	3,300,000
Other employees								
In aggregate	20/5/2015	20/5/2017 – 19/5/2025	4.11	3,700,000	–	–	(1,500,000)	2,200,000
				3,700,000	–	–	(1,500,000)	2,200,000
				11,660,000	–	–	(1,500,000)	10,160,000

There was no participant with options granted in excess of the individual limit.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors or any of their respective associates has interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 23 to 29.

CONNECTED TRANSACTIONS

During the year, the Company did not have any connected transactions and continuing connected transactions which were subject to the disclosure requirements under Chapter 14A of the Listing Rules. For those related party transactions of the Group constituted connected transactions under Chapter 14A of the Listing Rules as disclosed in note 40 to the financial statements, all were fully exempted from the disclosure requirements for reporting, announcement and independent Shareholders' approval.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the directors, the Company had maintained a sufficient public float of not less than 25% of the Company's total issued shares as required under the Listing Rules throughout the year under review.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Lin Xiaohui
Chairman

Hong Kong, 30 March 2017

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. In the opinion of the directors, the Company has complied all code provisions (the "Code Provisions") in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules for the year ended 31 December 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2016.

BOARD OF DIRECTORS

The Company is governed by a board of directors (the "Board") which has the responsibility for leadership and monitoring of the Company. The directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board set strategies and directions for the Group's activities with a view to develop its business and to enhance shareholders' value.

The Board met 13 times during the year ended 31 December 2016. Its composition and the attendance of individual directors at these Board meetings were follows:

Name	**Number of Board meetings attended/held**
Executive directors	
Dr. Lin Xiaohui *(Chairman)*	13/13
Madam Su Jiaohua *(Chief Executive Officer)*	13/13
Mr. Lin Xiaodong	13/13
Independent non-executive directors	
Mr. Yu Leung Fai	12/13
Mr. Fang Jixin	12/13
Dr. Li Jue	12/13

Dr. Lin Xiaohui and Madam Su Jiaohua are spouses.

Dr. Lin Xiaohui and Mr. Lin Xiaodong are brothers.

To the best knowledge of the Company and save as disclosed above, there is no financial, business and family relationship among members of the Board.

DIRECTORS' TRAINING

All directors participate in continuous professional development to enhance and refresh their knowledge and skills. During the year ended 31 December 2016, all directors had provided the Company their training records. All directors participated in continuous professional development exercise by way of attending seminars/conferences/forums organised by professional organisations and keep themselves updates on the roles, functions and duties of a listed company directors. The trainings attended by the directors are in the area of corporate governance, regulatory development, financial management or business skills and knowledge. The Company is of the view that all directors of the Company has compiled with Code Provision A.6.5.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer of the Company are separated, with a clear division of responsibilities to assume a balance of authority and power.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group.

The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Group benefits from the experience and expertise of the independent non-executive directors of the Company. They advise the Company on strategy development and enable the Board to maintain high standards of compliance of financial and other mandatory requirements. Each independent non-executive director of the Company gives an annual confirmation of the independence to the Company and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

All the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Bye-laws of the Company, which stipulate that one-third of the directors shall retire from office by rotation so that each director shall be subject to retirement at least once every three years.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report; and
- such other corporate governance and functions set out in the Code Provisions (as amended from time to time) for which the Board are responsible.

REMUNERATION COMMITTEE

During the year ended 31 December 2016, the members of the Remuneration Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Li Jue (Chairman), Mr. Yu Leung Fai and Dr. Lin Xiaohui. The terms of reference of the Remuneration Committee have been determined with reference to the Code.

The Remuneration Committee met two times during the year ended 31 December 2016. All members attended these meetings.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management. During the year ended 31 December 2016, the Remuneration Committee has reviewed the Group's remuneration policy, including the policy for the remuneration of executive directors in accordance with Code Provision B.1.2(c)(ii), the levels of remuneration paid to executive directors and senior management of the Group.

NOMINATION OF DIRECTORS

During the year ended 31 December 2016, the members of the Nomination Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Lin Xiaohui (Chairman), Mr. Yu Leung Fai and Mr. Fang Jixin. The terms of reference of the Nomination Committee have been determined with reference to the Code.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition of the Board at least annually, making recommendations on the procedures and criteria for appointment of Directors and implementing those that are adopted by the Board.

AUDIT COMMITTEE

During the year ended 31 December 2016, the members of the Audit Committee comprised three independent non-executive directors of the Company, namely Mr. Yu Leung Fai (Chairman), Mr. Fang Jixin and Dr. Li Jue. The terms of reference of the Audit Committee follow the guidelines set out in the Code.

The Audit Committee met two times during the year ended 31 December 2016, which were attended by all members.

During the year, the Audit Committee had reviewed the Group's interim and annual results, risk management and internal control system and financial reporting matters. The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. As at 31 December 2016, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the Independent Auditor's Report attached to the Company's Financial Statements for the year ended 31 December 2016.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that an appropriate and effective risk management and internal control systems are maintained so as to safeguard the Group's assets and the interests of the Shareholders. The Board has developed its risk management and internal control systems, and is also responsible for overseeing the performance of the risk management and internal control system on an ongoing basis. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year, the Board has, through Audit Committee, conducted a review on the adequacy and effectiveness of the risk management and internal control systems of the Group, which covered financial, compliance and operational controls as well as risk management mechanisms. The Board also reviewed the adequacy of resources, staff qualifications for those who are responsible for accounting and financial reporting function and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. The internal auditor of the Group has performed an independent review on the adequacy and effectiveness of the risk management and internal control systems of the Group. The review results has been properly reported to the Audit Committee.

The Board has established a policy and guideline on the procedures and internal controls for the handling and dissemination of inside information, which stipulated the duties and responsibilities of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and also compliance and reporting procedures.

Based on the internal control reviews conducted in 2016, no significant control deficiency was identified.

AUDITORS' REMUNERATION

For the year ended 31 December 2016, fees paid/payable to the Company's external auditors for annual audit services totalled HK$1,600,000 (year ended 31 December 2015: HK$1,200,000). For other audit/review-related services, the fees amounted to HK$2,565,000 (year ended 31 December 2015: HK$88,000).

COMPANY SECRETARY

The Company Secretary is to ensure there is a good information flow within the Board and between the Board and senior management, provide advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assist the Board in implementing the corporate governance practices. The Company Secretary confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2016 and has provided training record to the Company indicating his compliance with the training requirement under the Listing Rules. The Company is of the view that the Company Secretary has compiled with Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

The Bye-laws of the Company has been amended at the 2012 annual general meeting held on 10 August 2012 so as to bring the Bye-laws in line with the current revised requirements of the Listing Rule and certain changes to the laws of Bermuda. The amendments were disclosed in details on pages 32 to 36 of the Company's circular to shareholders dated 11 July 2012 published on the websites of the Company and the Stock Exchange.

An updated version of the Bye-laws of the Company is available on the website of the Company (www.realord.com.hk) and the Stock Exchange (http://www.hkexnews.hk/index.htm).

SHAREHOLDERS' RIGHTS

Convenes a special general meeting of the Company

Pursuant to Bye-law 58 of the Company, shareholder(s) 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 Company Secretary of the Company, to require a special 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 months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may convene a special general meeting.

Enquiries to the Board

Shareholder(s) may at any time send their enquires to the Board in writing through the Company Secretary whose contact details are as follows:

Company Secretary
Realord Group Holdings Limited
Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

Procedures for putting forward proposals at general meetings

The following shareholder(s) are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

1. any shareholder(s) representing not less than one-twentieth of the total voting rights of the Company on the date of the requisition; or

2. not less than one hundred shareholders.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office of the Company in the case of:

(1) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(2) any other requisition, not less than one week before the meeting.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act 1981 of Bermuda (as amended) once valid documents received.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. To facilitate and enhance the relationships and communication, the Company has established, including but not limited to, the following various channels:

1. annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the directors are available at annual general meetings to address shareholders' queries;

2. separate resolutions are proposed at general meetings on each substantially separate issue to facilitate the enforcement of shareholders' rights. Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all resolutions set out in the notice of the annual general meeting of the Company will be voted by poll;

3. interim and annual results are announced as early as possible so that the shareholders are kept informed of the Group's performance and operations; and

4. corporate website www.realord.com.hk contains extensive information and updates on the Company's business.

OVERVIEW

The board is pleased to present the Environmental, Social and Governance Report in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") as published by The Stock Exchange of Hong Kong Limited.

1. Scope

This Environmental, Social and Governance Report covers the reporting period from 1 January 2016 to 31 December 2016 and includes the operations of the Group's Hong Kong office and Shenzhen office. The content of this Report is prepared in accordance with the ESG Guide and is published once a year.

2. Communication with stakeholders

The Group's annual general meetings provide an effective platform for the board of directors to communicate with the shareholders. In addition to shareholder meetings, to maintain a close relationship with the stakeholders, such as with the customers and the suppliers, the Group maintains communication with all stakeholders from time to time via various means, such as: visits, conference calls and meetings, post and emails, follow-ups conducted by customer service personnel etc., in order to listen stakeholders' opinions and needs. The overall performance of the Group is also reported semi-annually to investors in the company's Interim Report and Annual Report.

3. Environmental, social and governance performance

3.1 Environment

3.1.1 Emissions

Use of equipment with less exhaust emissions

The Group's operations minimize the use of company vehicles, and public transport is encouraged to reduce exhaust emissions. Company vehicles are repaired and maintained regularly to enhance efficiency and reduce exhaust emissions.

Reduction of wastes and recycling policy

In order to reduce the waste of the group, colleagues are required to reduce the use of paper and encouraged to use electronic format instead of printed copies whenever possible, sorting and collecting recyclable items and proper reuse of the reusable materials.

Policy on the reduction of hazardous wastes

Printer ink cartridges are the main hazardous waste leftover from the Group's operations, and they are collected from the office for recycling regularly by the service provider.

Reduction of business trips

The Group encourages employees to use electronic messaging or video conferences to reduce the number of business trips to reduce greenhouse gas emissions.

The Group strictly complies with the relevant environmental legislation and there was no prosecution for violating of any legislation related to the environment during the period.

3.1.2 Use of resources

The Group understands that the resources on our planet are limited, therefore appropriate measures are implemented to enhance the efficiency of resources used, including:

Energy saving

In order to save energy, the Group promotes the reduction of energy consumption and has implemented the following measures:

1. Cleaning up the office electrical appliance (such as refrigerator, air-conditioner, etc) regularly to improve the efficiency.

2. Energy Saving reminders are posted in appropriate place.

3. Prioritising the adoption of environmentally friendly, energy saving and high efficiency appliances and equipment.

4. Requesting all employees to switch off all lighting, air-conditioning and power supplies before leaving the workplace.

Water conservation

The Group promotes the idea of water conservation to employees and actively implements the maintenance and management of water equipment to achieve the goal of water conservation as follows:

1. Enhance the daily maintenance and management of water equipment, and regular maintenance of water mains and pipes to reduce water loss.

2. Employees are requested to turn off taps immediately after use.

3. Water-saving reminders are posted in appropriate place.

3.1.3 *The environment and natural resources*

The Group understands the environmental concerns of both society and customers; the company consequently promotes policies on natural resources control, green operation and green procurement.

Conserving of office resources

The main natural resources used by the Group is paper, therefore the group has implemented series of measures to reduce the usage as follows:

1. Employees are encouraged to communicate electronically.

2. Employees are requested to print in both sides.

3. Employees are encouraged to prepare and view documents using computers whenever possible.

4. Policy is imposed to verify the number of envelopes, document envelopes and albums printed in order to avoid excessive usage.

5. Collecting box is placed beside the printer for the recycling of single-sided occupied paper and printer ink cartridges.

Green procurement

When selecting electrical appliances, the Group chooses electrical appliances which are energy-saving or bear an energy-saving label.

Green operation policy

The Group has placed various plants in offices to promote a green environment.

Provision of environmental training to employees

New employees are provided with environmental training to allow them to understand the internal environmental requirements of the Group.

3.2 *Society*

3.2.1 *Employment*

In order to comply with the local employment laws and regulations, the Group has formulated a series of employment policies to ensure that employees are treated in a fair and reasonable manner.

Equal opportunities on employee recruitment

The Group has policies in place with regard to equal opportunities in recruitment. The Group promotes equal opportunities in recruitment, where every candidate shall be given equal opportunities to access a job application. The Group will not reject any application based on factors such as gender, age or race.

Equal opportunities on promotion

The Group considers equal opportunities to be of high significance regarding the staff promotion policy and exclusively refers to an employee's performance as the basis of its consideration and is not influenced by any other factors.

Work-life balance

The group does not impose an excessive workload on employees and commits to provide employees with a comfortable working environment in balancing work and life of employee.

Remuneration and benefits policy

The Group strictly complies with legislative requirements to develop group's remuneration and benefits policy (including the Employment Ordinance, the Mandatory Provident Fund Schemes Ordinance, the Chinese Labor Law and the China Labor Contract Law, etc.) and complies with the requirements relating to minimum wage, working hours and the overtime threshold, paid statutory holidays and paid annual leave. Moreover, the Group also evaluates the performance of its employees to determine the year end bonuses.

Compensation, termination of employment and retirement policy

The Group complies with the relevant provisions of national laws and local regulations with regard to compensation, termination of employment and retirement.

The Group strictly complies with the relevant employment legislation and there was no prosecution for violation of any legislation relating to employment during the year.

3.2.2 *Health and Safety*

The Group has established its occupational health and safety management policy to prevent the occurrence of occupational diseases or work-related injuries and fatalities through different measures.

Occupational health and safety policy

The Group strictly implements the requirements under occupational health and safety legislation to avoid any injuries of employees at work.

Workplace safety management

The Group places strong emphasis on providing employees with a safe workplace through the implementation of the following measures:

1. Ensuring first-aid kits and fire extinguishers are readily available within the premises of the Group.

2. Ensuring safety exit signs are accurately displayed in the workplace.

3. No clutter is permitted in the office and passages and fire escapes must be kept clear and tidy at all times.

Workplace hygiene

1. Hygiene in public areas in the office is taken care of centrally by the Executive Human Resources Department, while hygiene of individual desks and the surrounding areas is the responsibility of individual employees.

2. The workplace must be kept tidy. All rubbish and waste should be disposed in the designated areas.

Employee work safety training

The Group participates in large-scale fire drills organised annually by the property management company.

The Group strictly complies with the relevant safety legislation and there was no prosecution for violation of any legislation relating to occupational health or occupational diseases during the year.

3.2.3 *Development and training*

Career development policy

The Group aims to establish an environment of continuous improvement in which employees are encouraged to pursue excellence at work and career development. Induction programme was offered to new joiners to help them adapt to the working environment. The Group would also arrange customised training programmes for staffs according to the needs of different job requirements at different levels, including in-house and external training courses in order to enhance overall professional skills and personal quality of staffs.

3.2.4 *Labour standards*

The Group strictly prohibits the employment of child labour. Upon job recruitment, the identity document of the applicants should be checked.

The Group does not in any way force its employees to work and not to force its employees to work overtime, to protect the personal rights of the employees.

During the reporting period, the Group has not discovered any employment of child labour or violated any laws and regulations relating to forced labour.

3.2.5 *Supply chain management*

The Group's management controls on the supply chain are as follows:

Supplier code of conduct

In terms of service assurance, the Group has established a system for monitoring the quality of suppliers. Suppliers are required to comply with all laws, international covenants, contractual requirements and all of the Group's codes.

Supplier selection procedures

All suppliers must undergo strict selection procedures, and requires management's approval before confirmation of contract.

Supplier selection criteria

The Group has different selection criteria for various types of suppliers, but primarily based on factors such as previous experience, price, reputation, qualification and conduct, and would also takes into account their environmental and corporate society responsibilities. The Group evaluates the performance of its suppliers in the past by means of annual evaluations conducted every year to ensure that they are eligible for contract renewal.

3.2.6 *Product/service responsibility*

Quality assurance policy

The Group strictly complies with the local laws and regulations, including health and safety, advertising, labelling and privacy, in addition to the customers' requirements with an aim to provide high quality services in a legitimate way.

The Group strictly complies with the relevant product responsibility legislation and there was no prosecution for violation of any legislation relating to product/service responsibility or privacy during the year.

3.2.7 *Anti-corruption*

The Group has established policies to monitor the ethics and conduct of its employees in respect of anti-corruption and business ethics.

Corporate governance policy

The Group refers to and complies with all code provisions in Appendix 14 of the Code on Corporate Governance Practices of the Listing Rules, including maintaining good corporate governance practices.

Anti-corruption policy

No employee or director shall not seek or receive any benefits including money, gifts, loans, remuneration, extra work, contracts, services or sponsorships, in particular, where there is a conflict of interest between such benefits and the company's business engagements.

Whistle-blowing policy

The company encourages its employees report to director, or through their line managers, any suspicious cases including bribery, blackmail, fraud and money laundering.

Policy on declaration of conflicts of interest

All significant transactions involving conflicts of interest in the Group must be disclosed to the board of directors. Any member of the board with a conflict of interest shall not vote on the resolution of such transactions.

Policy on third party audit firms

The Group engages third party audit firms to audit its accounts, verify the accuracy of its accounts and shareholders' interests; the selection of third party financial audit firms is determined by the Audit Committee, which comprises all independent non-executive directors.

Policy on approval of service contracts

All significant service contracts must be approved by the board of directors. Approved service contracts are reviewed by the Nomination Committee, which comprises one executive director and two independent non-executive directors.

The Group strictly complies with the relevant anti-corruption legislation and there was no prosecution for violation of any relevant legislation during the year.

3.2.8 Community investment

The Group actively participates in community activities and regularly studies and finds out about the community's needs with local governments and stakeholders. In 2016, the Chairman of the Group, jointly with four Shenzhen Municipal Chinese People's Political Consultative Conference (CPPCC) members, donated a total of RMB 1 million to the Heyuan Municipal Committee as funds to help alleviate poverty and also to support charitable activities. In the future, the Group would focus its community investments on science and technology development, state infrastructure and poverty alleviation.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Realord Group Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Realord Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 43 to 155, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We concluded our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of investment properties	
As at 31 December 2016, investment properties measured at fair value amounted to approximately HK$1,107 million representing 69% of the total assets of the Group, with the corresponding fair value change of HK$270 million recognised in statement of profit or loss. The valuation process is inherently subjective, and dependent on a number of estimates. The Group engaged an external valuer to perform valuation for the investment properties. Relevant disclosures are included in note 14 to the financial statements.	We evaluated the competence, capability and objectivity of the valuation expert engaged by the Group. In addition, we obtained an understanding and evaluated the work performed by the valuer. This included assessing the relevance, completeness and accuracy of the data used as inputs for the valuation, and assessing the relevance of the major assumptions and methodologies adopted in the valuation. We also involved our internal valuation experts to assist us in evaluating the major assumptions and methodologies of the valuation of investment properties held by the Group.
Recoverability of trade receivables and receivables arising from securities broking	
As at 31 December 2016, the Group recorded trade receivables of approximately HK$127 million and receivables arising from securities broking of approximately HK$120 million. Management performs an impairment assessment when there is objective evidence that receivables may be impaired, with the impairment provision estimated through the application of judgement and use of subjective assumptions. Relevant disclosures are included in note 20 to the financial statements.	Our audit procedures included assessing and testing the Group's processes and controls relating to the monitoring of receivables and the granting of credit terms. This included evaluating the inputs and assumptions used by management in their impairment assessment, and management's procedures over aged receivables or amounts in dispute. We also assessed the impairment provision as of the end of the reporting period, taking into account factors such as the payment history, the subsequent settlement of the receivables and other relevant information.

Key audit matter	How our audit addressed the key audit matter
Contingent liabilities relating to legal cases	
The Group is involved in two legal cases. Estimating the outcome of the legal proceedings and the assessment as to whether a liability should be recognised are complex and judgmental, and the amounts involved may be material to the financial statements. Relevant disclosures are included in note 36 to the financial statements.	Our audit procedures included, amongst others, an assessment of the legal advice obtained by the Group as well as periodic meetings with management to discuss developments in the legal proceedings and the possible outcomes of the claims. We also obtained legal opinions from the Group's external legal counsel to ensure adequate measurement and disclosures.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS 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 HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ip Hing Lam.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
REVENUE	5	**209,784**	207,732
Cost of sales		**(118,785)**	(136,611)
Gross profit		**90,999**	71,121
Other income and gains	5	**289,661**	95,757
Selling and distribution expenses		**(3,911)**	(4,491)
Administrative expenses		**(123,457)**	(99,690)
Other operating expenses		**(25,270)**	(12,661)
Finance costs	7	**(19,847)**	(1,690)
PROFIT BEFORE TAX	6	**208,175**	48,346
Income tax expense	10	**(128,078)**	(15,707)
PROFIT FOR THE YEAR		**80,097**	32,639
Attributable to:			
Owners of the Company		**80,097**	32,427
Non-controlling interest		**–**	212
		80,097	32,639
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	12	**HK6.95 cents**	HK3.04 cents
Diluted	12	**HK6.95 cents**	HK3.04 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
PROFIT FOR THE YEAR	**80,097**	32,639
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(29,465)**	(6,224)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(29,465)**	(6,224)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**50,632**	26,415
Attributable to:		
Owners of the Company	**50,632**	26,203
Non-controlling interest	**–**	212
	50,632	26,415

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**78,649**	86,764
Investment properties	14	**1,106,525**	552,900
Goodwill	15	**2,100**	2,100
Other intangible asset	16	**4,400**	4,400
Finance lease receivables	17	**6,401**	6,546
Available-for-sale investments	18	**13,844**	13,844
Deferred tax assets	28	**188**	31
Prepayments and deposits	21	**36,460**	13,878
Total non-current assets		**1,248,567**	680,463
CURRENT ASSETS			
Inventories	19	**6,999**	7,884
Trade receivables	20	**127,171**	86,335
Receivables arising from securities broking	20	**119,560**	116,158
Prepayments, deposits and other receivables	21	**16,644**	8,679
Finance lease receivables	17	**2,619**	1,601
Tax recoverable		**42**	222
Equity investments at fair value through profit or loss	22	**18,648**	14,646
Cash held on behalf of clients	23	**11,634**	10,443
Pledged time deposit	24	**–**	102,760
Restricted cash	24	**4,171**	–
Cash and cash equivalents	24	**51,791**	107,846
Total current assets		**359,279**	456,574
CURRENT LIABILITIES			
Trade payables	25	**5,548**	5,748
Payables arising from securities broking	25	**19,884**	27,438
Other payables and accruals	26	**20,221**	15,526
Interest-bearing bank borrowings	27	**250,288**	186,825
Tax payable		**3,240**	1,013
Total current liabilities		**299,181**	236,550
NET CURRENT ASSETS		**60,098**	220,024
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,308,665**	900,487

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,308,665**	900,487
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	**168,972**	46,075
Loans from the ultimate holding company	29	**241,596**	–
Total non-current liabilities		**410,568**	46,075
Net assets		**898,097**	854,412
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**115,000**	115,349
Reserves	32	**783,097**	739,063
Total equity		**898,097**	854,412

Lin Xiaohui
Director

Su Jiaohua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

		Attributable to owners of the Company								
	Notes	Share capital HK$'000 *(Note 30)*	Share premium account HK$'000	Share option reserve HK$'000 *(Note 31)*	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 January 2015		79,419	141,473	–	28,274	219	69,623	319,008	12,456	331,464
Profit for the year		–	–	–	–	–	32,427	32,427	212	32,639
Other comprehensive loss for the year:										
Exchange differences related to foreign operations		–	–	–	–	(6,224)	–	(6,224)	–	(6,224)
Total comprehensive income for the year		–	–	–	–	(6,224)	32,427	26,203	212	26,415
Acquisition of non-controlling interest		–	–	–	–	–	–	–	(12,668)	(12,668)
Issuance of new shares	30	36,000	468,000	–	–	–	–	504,000	–	504,000
Repurchase of shares	30	(70)	(1,676)	–	–	–	–	(1,746)	–	(1,746)
Equity-settled share option arrangements	31	–	–	6,947	–	–	–	6,947	–	6,947
Transfer of share option reserve upon the forfeiture of share options		–	–	(71)	–	–	71	–	–	–
At 31 December 2015		115,349	607,797*	6,876*	28,274*	(6,005)*	102,121*	854,412	–	854,412

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Notes	Attributable to owners of the Company						
		Share capital HK$'000 (Note 30)	Share premium account HK$'000	Share option reserve HK$'000 (Note 31)	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2016		115,349	607,797	6,876	28,274	(6,005)	102,121	854,412
Profit for the year		–	–	–	–	–	80,097	80,097
Other comprehensive loss for the year:								
Exchange differences related to foreign operations		–	–	–	–	(29,465)	–	(29,465)
Total comprehensive income for the year		–	–	–	–	(29,465)	80,097	50,632
Repurchase of shares	30	(349)	(17,207)	–	–	–	–	(17,556)
Equity-settled share option arrangements	31	–	–	10,609	–	–	–	10,609
Transfer of share option reserve upon the forfeiture of share options		–	–	(1,689)	–	–	1,689	–
At 31 December 2016		115,000	590,590*	15,796*	28,274*	(35,470)*	183,907*	898,097

* These reserve accounts comprise the consolidated reserves of HK$783,097,000 (2015: HK$739,063,000) in the consolidation statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**208,175**	48,346
Adjustments for:			
Finance costs	7	**19,847**	1,690
Interest income from margin financing		**(8,553)**	(3,407)
Bank interest income		**(993)**	(3,742)
Finance lease interest income		**(662)**	(236)
Gain on disposal of items of property, plant and equipment		**(5)**	(136)
Loss on disposal of equity investments at fair value through profit or loss		**7,936**	5,464
Fair value gain on equity investments at fair value through profit or loss		**(6,977)**	(1,022)
Depreciation	13	**9,085**	5,404
Impairment loss on property, plant and equipment		**–**	471
Impairment of trade receivables		**73**	–
Changes in fair value of investment properties		**(270,479)**	(90,076)
Revaluation deficit on property, plant and equipment		**17,261**	2,067
Reversal of impairment of trade receivables		**–**	(192)
Equity-settled share option expenses		**10,609**	6,947
		(14,683)	(28,422)
Decrease/(increase) in inventories		**885**	(4,282)
Increase in trade receivables		**(40,909)**	(54,209)
Increase in receivables arising from securities broking		**(3,402)**	(103,352)
Increase in prepayments, deposits and other receivables		**(33,093)**	(7,816)
Decrease/(increase) in cash held on behalf of clients		**(1,191)**	220
Increase in restricted cash		**(4,171)**	–
Increase in equity investments at fair value through profit or loss		**(4,961)**	(19,088)
Increase/(decrease) in trade payables		**(200)**	556
Increase/(decrease) in payables arising from securities broking		**(7,554)**	5,874
Increase in accrued liabilities and other payables		**3,012**	692
Cash used in operations		**(106,267)**	(209,827)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash used in operations		**(106,267)**	(209,827)
Interest received		**9,546**	7,149
Interest paid		**(19,847)**	(1,690)
Income tax recovered/(paid)		**51**	(767)
Net cash flows used in operating activities		**(116,517)**	(205,135)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(22,845)**	(10,965)
Purchases of investment properties	14	**–**	(106,100)
Proceeds from disposal of items of property, plant and equipment		**52**	1,124
Purchases of available-for-sale investments		**–**	(6,500)
Acquisition of assets through acquisition of subsidiaries	34	**(305,368)**	(271,762)
Acquisition of subsidiaries		**–**	(8,616)
Acquisition of non-controlling interests		**–**	(12,668)
Repayment of a loan from a related company		**–**	(37,070)
Increase in finance lease receivables		**(2,323)**	–
Receipt of finance lease receivables		**1,528**	520
Net cash flows used in investing activities		**(328,956)**	(452,037)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**288,928**	91,760
Repayment of bank loans		**(233,999)**	(5,000)
Increase in a loan from the ultimate holding company		**241,596**	–
Proceeds from issue of shares		**–**	504,000
Repurchases of shares		**(17,556)**	(1,746)
Net cash flows from financing activities		**278,969**	589,014

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(166,504)**	(68,158)
Cash and cash equivalents at beginning of year		**210,541**	281,488
Effect of foreign exchange rate changes, net		**(845)**	(2,789)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**43,192**	210,541
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**51,791**	107,846
Cash and cash equivalents as stated in the statement of financial position		**51,791**	107,846
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities		**–**	102,760
Bank overdrafts	27	**(8,599)**	(65)
Cash and cash equivalents as stated in the statement of cash flows		**43,192**	210,541

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE AND GROUP INFORMATION

Realord Group Holdings Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

During the year, the Group was involved in the following principal activities:

- provision of financial printing, digital printing and other related services
- manufacture and sale of hangtags, labels, shirt paper boards and plastic bags
- distribution and sale of motor vehicle parts
- provision of securities brokerage services and margin financing
- trading of electronic products and computer components
- property investment

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Manureen Holdings Limited, which is incorporated in the British Virgin Islands.

* Particulars of the Company's principal subsidiaries are listed out in note 47 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, the buildings classified as property, plant and equipment, available-for-sale investments and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs, for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and impact of the amendments are described below:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018 and is currently assessing the impact of HKFRS 2 upon adoption.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its investment properties, the building classified as property, plant and equipment, available-for-sale investments and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

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

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

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

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

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and building	Over the lease terms
Plant and machinery	10%
Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20% or over the lease term, whichever is shorter
Motor vehicles	25%
Yacht	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in leasehold land and building (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

The Group's intangible asset, representing eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), has indefinite useful lives and is tested for impairment annually either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Finance leases, which transfer to the lessee substantially all the rewards and risks incidental to ownership of a leased item, are capitalised at the inception of the lease at fair value of the leased item, or if lower, at the present value of the minimum lease payments. Lease payments receivable are apportioned between the finance income and reduction in the investment in finance lease so as to achieve a constant rate of interest on the remaining balance of the net investment in finance leases. Finance income is credited to the statement of profit or loss.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and building as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, payables arising from securities broking, other payables and certain accruals, loans from the ultimate holding company and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) from the rendering of services, when the services have been rendered;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(e) dividend income, when the shareholders' right to receive payment has been established; and

(f) commissions and brokerage income on dealings in securities, on the transaction dates when the relevant contract notes are executed.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes option pricing model, further details of which are given in note 31 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a specific amount for the employees in Mainland China, pursuant to the local municipal government regulations. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determining whether the acquisition of subsidiaries constituted a business combination

Management determines whether the acquisition of subsidiaries constituted an acquisition of assets and liabilities or a business combination by assessing if there is business acquired. The three elements of business are input, process and output. Management exercises judgements to determine if these elements were acquired in each acquisition. If the acquired subsidiaries did not contain these elements, management will account for the acquisition of subsidiaries as an acquisition of assets and liabilities.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was HK$2,100,000 (2015: HK$2,100,000). Further details are given in note 15.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2016 was HK$1,106,525,000 (2015: HK$552,900,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of trade receivables and receivables arising from securities broking

The Group makes impairment provision for trade receivables and receivables arising from securities broking based on an assessment of the recoverability of trade receivables and receivables arising from securities broking. Impairment provision is made for trade receivables and receivables arising from securities broking where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation on the recoverability of trade receivables and receivables arising from securities broking is different from the original estimate, such difference will impact on the carrying values of trade receivables and receivables arising from securities broking and impairment provision in the periods in which such estimate has been changed. The carrying amount of trade receivables and receivables arising from securities broking as at 31 December 2016 amounted to HK$127,171,000 (2015: HK$86,335,000) and HK$119,560,000 (2015: HK$116,158,000), respectively.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Current taxes and deferred taxes

Significant estimation and judgement were required in determining the amount of the provision for tax and the timing of payment of the related taxes. There were transactions and calculations for which the ultimate tax determination was uncertain during the ordinary course of business. As detailed in the Group's accounting policies, deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

Contingent liabilities relating to legal cases

The Group is involved in two legal cases in the current year. Significant estimation and judgement were required in determining the possible outcomes of the legal cases. Management has estimated the outcome of the legal cases based on the legal advice from the Group's external legal counsel. Further details are given in note 36 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

(a) provision of financial printing, digital printing and other related services ("Commercial Printing Segment");

(b) manufacture and sale of hangtags, labels, shirt paper boards and plastic bags ("Hangtag Segment");

(c) distribution and sale of motor vehicles parts ("Motor Vehicle Parts Segment");

(d) provision of securities brokerage services and margin financing ("Financial Services Segment");

(e) trading of electronic products and computer components ("Trading Segment"); and

(f) property investment ("Property Investment Segment").

As a result of an increasing amount of rental income received by the Group during the year ended 31 December 2016, management of the Group has reassessed the Group's segment reporting and decided that for financial reporting purposes, there is a new reportable operating segment as the resources allocation, performance assessment and decision making of the Property Investment Segment are considered separately. The impact of the abovementioned change in the Group's reportable operating segments for the year ended 31 December 2015 is considered retrospectively and the Group's operating segment information is restated as if the Group had been operating with six operating segments in that year.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that bank interest income, fair value gains on equity investments at fair value through profit or loss, revaluation deficit on property, plant and equipment, loss on disposal of equity investments at fair value through profit or loss, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged time deposit, restricted cash, cash and cash equivalents, equity investments at fair value through profit or loss, available-for-sale investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (Continued)

Segment liabilities exclude interest-bearing bank borrowings except for import invoice financing and overdraft, tax payable, deferred tax liabilities, loans from the ultimate holding company and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Commercial Printing HK$'000	Hangtag HK$'000	Motor Vehicle Parts HK$'000	Financial Services HK$'000	Trading HK$'000	Property Investment HK$'000	Total HK$'000
Year ended 31 December 2016							
Segment revenue							
Sales to external customers	72,746	8,487	100,644	10,864	–	17,043	209,784
Intersegment sales	474	–	–	25	–	–	499
	73,220	8,487	100,644	10,889	–	17,043	210,283
Reconciliation:							
Elimination of intersegment sales							(499)
Revenue							209,784
Segment results	907	(424)	5,010	2,398	(392)	282,420	289,919
Reconciliation:							
Bank interest income							993
Fair value gains on equity investments at fair value through profit or loss – held for trading							6,977
Revaluation deficit on property, plant and equipment							(17,261)
Loss on disposal of equity investments at fair value through profit or loss – held for trading							(7,936)
Corporate expenses							(44,670)
Finance costs							(19,847)
Profit before tax							208,175

4. OPERATING SEGMENT INFORMATION (Continued)

	Commercial Printing HK$'000	Hangtag HK$'000	Motor Vehicle Parts HK$'000	Financial Services HK$'000	Trading HK$'000	Property Investment HK$'000	Total HK$'000
Year ended 31 December 2016							
Segment assets	12,417	1,921	137,828	146,530	103	1,136,472	1,435,271
Reconciliation:							
Corporate and unallocated assets							172,575
Total assets							1,607,846
Segment liabilities	12,882	1,007	55,115	20,994	10	4,831	94,839
Reconciliation:							
Corporate and unallocated liabilities							614,910
Total liabilities							709,749
Other segment information:							
Depreciation	1,560	28	243	161	31	59	2,082
Change in fair value of investment properties	–	–	–	–	–	(270,479)	(270,479)
Gain on disposal of items of property, plant and equipment	–	(5)	–	–	–	–	(5)
Capital expenditure*	556	469	39	42	–	309,597	310,703

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

4. OPERATING SEGMENT INFORMATION (Continued)

	Commercial Printing HK$'000	Hangtag HK$'000	Motor Vehicle Parts HK$'000	Financial Services HK$'000	Trading HK$'000	Property Investment HK$'000 (Restated)	Total HK$'000 (Restated)
Year ended 31 December 2015							
Segment revenue							
Sales to external customers	68,226	11,533	95,381	4,961	21,917	5,714	207,732
Intersegment sales	421	–	–	77	–	–	498
	68,647	11,533	95,381	5,038	21,917	5,714	208,230
Reconciliation:							
Elimination of intersegment sales							(498)
Revenue							207,732
Segment results	1,213	(2,252)	5,702	(1,178)	(185)	90,561	93,861
Reconciliation:							
Bank interest income							3,742
Fair value gains on equity investments at fair value through profit or loss – held for trading							1,022
Revaluation deficit on property, plant and equipment							(2,067)
Loss on disposal of equity investments at fair value through profit or loss – held for trading							(5,464)
Corporate expenses							(41,058)
Finance costs							(1,690)
Profit before tax							48,346

4. OPERATING SEGMENT INFORMATION (Continued)

	Commercial Printing HK$'000	Hangtag HK$'000	Motor Vehicle Parts HK$'000	Financial Services HK$'000	Trading HK$'000	Property Investment HK$'000 (Restated)	Total HK$'000 (Restated)
Year ended 31 December 2015							
Segment assets	13,498	3,228	90,868	142,179	134	560,626	810,533
Reconciliation:							
Corporate and unallocated assets							326,504
Total assets							1,137,037
Segment liabilities	13,304	1,790	12,106	27,892	119	1,645	56,856
Reconciliation:							
Corporate and unallocated liabilities							225,769
Total liabilities							282,625
Other segment information:							
Depreciation	1,300	330	104	67	13	59	1,873
Change in fair value of investment properties	–	–	–	–	–	(90,076)	(90,076)
Loss/(gain) on disposal of items of property, plant and equipment	148	(97)	–	–	–	–	51
Impairment loss on property, plant and equipment	–	471	–	–	–	–	471
Reversal of impairment of trade receivables	(83)	(109)	–	–	–	–	(192)
Capital expenditure*	3,647	13	1,226	153	146	331,100	336,285

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2016	2015
	HK$'000	HK$'000
		(Restated)
Hong Kong	**132,368**	114,595
Mainland China	**74,990**	90,400
Other countries	**2,426**	2,737
	209,784	207,732

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2016	2015
	HK$'000	HK$'000
Hong Kong	**464,476**	381,484
Mainland China	**770,675**	285,904
	1,235,151	667,388

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets of HK$188,000 (2015: HK$31,000) and non-current portion of deposits of HK$6,827,000 (2015: HK$6,498,000) and finance lease receivables of HK$6,401,000 (2015: HK$6,546,000).

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

Revenue of approximately HK$50,597,000 (2015: HK$78,241,000) was derived from sales by the Motor Vehicle Parts Segment to two (2015: three) customers, who has individually contributed 10% or more to the total revenue of the Group.

	2016	2015
	HK$'000	HK$'000
Customer A	**25,934**	33,074
Customer B	**24,663**	24,106
Customer C	**N/A***	21,061
	50,597	78,241

* Less than 10% of the Group's revenue

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; commission income from securities broking; interest income from margin financing; and gross rental income from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	2016 HK$'000	2015 HK$'000 (Restated)
Revenue		
Sales of goods	**109,131**	128,831
Rendering of services	**72,746**	68,226
Commission income from securities broking	**2,311**	1,554
Interest income from margin financing	**8,553**	3,407
Gross rental income	**17,043**	5,714
	209,784	207,732
Other income		
Bank interest income	**993**	3,742
Finance lease interest income	**662**	236
Others	**365**	353
	2,020	4,331
Gains		
Fair value gains on investment properties (note 14)	**270,479**	90,076
Gain on disposal of items of property, plant and equipment	**5**	136
Fair value gains on equity investments at fair value through profit or loss – held for trading	**6,977**	1,022
Exchange gains, net	**10,180**	–
Others	**–**	192
	287,641	91,426
	289,661	95,757

As further explained in note 4 to the financial statement, rental income of HK$5,714,000 for the year ended 31 December 2015 was reclassified from other income to revenue as property investment was considered by management to be an operating segment of the Group during the year.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2016 HK$'000	2015 HK$'000
Cost of inventories sold		**97,147**	118,485
Cost of services provided		**21,638**	18,126
Depreciation	13	**9,085**	5,404
Minimum lease payments under operating leases		**21,113**	22,746
Auditor's remuneration		**1,759**	1,354
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**46,543**	42,748
Pension scheme contributions		**2,634**	1,176
Equity-settled share option expenses		**6,111**	4,199
		55,288	48,123
Changes in fair value of investment properties	14	**(270,479)**	(90,076)
Revaluation deficit on property, plant and equipment	13	**17,261**	2,067
Foreign exchange differences, net		**(10,180)**	3,960
Impairment of trade receivables	20	**73**	–
Reversal of impairment of trade receivables	20	**–**	(192)
Impairment loss on property, plant and equipment	13	**–**	471
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**276**	232
Fair value gain on equity investments at fair value through profit or loss – held for trading		**(6,977)**	(1,022)
Loss on disposal of equity investments at fair value through profit or loss – held for trading		**7,936**	5,464
Gain on disposal of items of property, plant and equipment		**(5)**	(136)

7. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank loans, overdrafts and other loans	**19,847**	1,690

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 HK$'000	2015 HK$'000
Fees	**360**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**6,702**	5,520
Discretionary bonuses	**30**	30
Equity-settled share option expense	**4,498**	2,749
Pension scheme contributions	**54**	39
	11,284	8,338
	11,644	8,698

In the prior year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (Continued)

(a) Independent non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
31 December 2016						
Independent non-executive directors:						
Mr. Yu Leung Fai	120	–	10	483	–	613
Mr. Fang Jixin	120	–	10	483	–	613
Dr. Li Jue	120	–	10	483	–	613
	360	–	30	1,449	–	1,839

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
31 December 2015						
Independent non-executive directors:						
Mr. Yu Leung Fai	120	–	10	295	–	425
Mr. Fang Jixin	120	–	10	295	–	425
Dr. Li Jue	120	–	10	295	–	425
	360	–	30	885	–	1,275

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
31 December 2016						
Executive directors:						
Dr. Lin Xiaohui	–	3,600	–	1,042	18	4,660
Madam Su Jiaohua	–	1,200	–	1,042	18	2,260
Mr. Lin Xiaodong	–	1,902	–	965	18	2,885
	–	6,702	–	3,049	54	9,805

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
31 December 2015						
Executive directors:						
Dr. Lin Xiaohui	–	3,600	–	637	18	4,255
Madam Su Jiaohua	–	1,200	–	637	18	1,855
Mr. Lin Xiaodong	–	720	–	590	3	1,313
	–	5,520	–	1,864	39	7,423

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2015: three) directors, details of whose remuneration are set out in note 8 above.

Details of the remuneration for the current year of the remaining two (2015: two) highest paid employees who are not directors of the Company are as follows:

	2016	2015
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,670**	3,276
Discretionary bonuses	**10,300**	3,583
Equity-settled share option expense	**–**	590
Pension scheme contributions	**827**	229
	13,797	7,678

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
HK$1,500,001 to HK$2,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$5,500,001 to HK$6,000,000	**–**	1
HK$9,000,001 to HK$9,500,000	**1**	–
	2	2

In the prior year, share options were granted to a non-director highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year is included in the above non-director highest paid employees' remuneration disclosures.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2016	2015
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**704**	1,008
(Over)/under provision in prior years	**(14)**	10
Current – Mainland China	**1,666**	17
Deferred (note 28)	**125,722**	14,672
Total tax charge for the year	**128,078**	15,707

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax charge at the effective tax rate is as follows:

	2016		2015	
	HK$'000	**%**	HK$'000	%
Profit before tax	**208,175**		48,346	
Tax at the statutory tax rate	**53,281**	**25.6**	9,515	19.7
Adjustments in respect of current tax of previous periods	**(14)**	**–**	10	–
Tax arising from fair value gains on investment properties	**125,085**	**60.1**	14,474	30.0
Income not subject to tax	**(66,777)**	**(32.1)**	(17,738)	(36.7)
Expenses not deductible for tax	**9,286**	**4.5**	4,087	8.4
Tax losses not recognised	**7,809**	**3.8**	5,408	11.2
Tax losses utilised from previous periods	**(570)**	**(0.3)**	–	–
Others	**(22)**	**–**	(49)	(0.1)
Tax charge at the Group's effective rate	**128,078**	**61.6**	15,707	32.5

11. DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2016	2015
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**80,097**	32,427

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,152,614,130**	1,065,247,836
Effect of dilution – weighted average number of ordinary shares:		
Share options	**403,551**	–
	1,153,017,681	1,065,247,836

The Company's share options have no dilutive effect for the year ended 31 December 2015 because the exercise prices of the Company's share options were higher than the average market price of the Company's shares for that year.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Yacht HK$'000	Total HK$'000
31 December 2016								
At 31 December 2015 and at 1 January 2016:								
Cost or valuation	70,200	6,145	5,660	5,161	6,306	10,669	–	104,141
Accumulated depreciation and impairment	–	(5,909)	(3,932)	(2,857)	(1,576)	(3,103)	–	(17,377)
Net carrying amount	70,200	236	1,728	2,304	4,730	7,566	–	86,764
At 1 January 2016, net of accumulated depreciation and impairment	70,200	236	1,728	2,304	4,730	7,566	–	86,764
Additions	–	–	240	195	310	420	21,680	22,845
Disposals	–	–	(47)	–	–	–	–	(47)
Depreciation provided during the year	(2,560)	(56)	(551)	(613)	(1,757)	(2,464)	(1,084)	(9,085)
Deficit on revaluation	(17,261)	–	–	–	–	–	–	(17,261)
Exchange realignment	(4,567)	–	–	–	–	–	–	(4,567)
At 31 December 2016, net of accumulated depreciation and impairment	45,812	180	1,370	1,886	3,283	5,522	20,596	78,649
At 31 December 2016:								
Cost or valuation	45,812	5,304	3,397	3,901	6,616	10,283	21,680	96,993
Accumulated depreciation and impairment	–	(5,124)	(2,027)	(2,015)	(3,333)	(4,761)	(1,084)	(18,344)
Net carrying amount	45,812	180	1,370	1,886	3,283	5,522	20,596	78,649

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and building HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2015							
At 1 January 2015:							
Cost or valuation	–	21,310	4,932	4,593	7,435	3,682	41,952
Accumulated depreciation and impairment	–	(20,135)	(3,622)	(3,187)	(4,232)	(956)	(32,132)
Net carrying amount	–	1,175	1,310	1,406	3,203	2,726	9,820
At 1 January 2015, net of accumulated depreciation and impairment	–	1,175	1,310	1,406	3,203	2,726	9,820
Additions	–	131	1,020	1,403	3,136	5,275	10,965
Acquisition of assets through acquisition of subsidiaries	73,413	–	7	–	–	1,712	75,132
Acquisition of subsidiaries	–	–	5	470	–	–	475
Disposals	–	(748)	(37)	(86)	(117)	–	(988)
Depreciation provided during the year	(448)	(228)	(484)	(605)	(1,492)	(2,147)	(5,404)
Deficit on revaluation	(2,067)	–	–	–	–	–	(2,067)
Impairment	–	(94)	(93)	(284)	–	–	(471)
Exchange realignment	(698)	–	–	–	–	–	(698)
At 31 December 2015, net of accumulated depreciation and impairment	70,200	236	1,728	2,304	4,730	7,566	86,764
At 31 December 2015:							
Cost or valuation	70,200	6,145	5,660	5,161	6,306	10,669	104,141
Accumulated depreciation and impairment	–	(5,909)	(3,932)	(2,857)	(1,576)	(3,103)	(17,377)
Net carrying amount	70,200	236	1,728	2,304	4,730	7,566	86,764

The Group's leasehold land and building was revalued individually at the end of the reporting period by Roma Appraisal Limited (2015: B.I. Appraisals Limited), independent professionally qualified valuers, at an aggregate open market value of HK$45,812,000 (2015: HK$70,200,000) based on their existing use. A revaluation deficit of HK$17,261,000 (2015: HK$2,067,000) resulting from the above valuation has been charged to the consolidated statement of profit or loss.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The directors of the Company have determined that the Group's building is a commercial building based on the nature, characteristics and risks of the property. Each year, the Group's chief financial officer decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's chief financial officer has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's leasehold land and building:

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial property	–	–	**45,812**	**45,812**

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial property	–	–	70,200	70,200

The Company's leasehold land and buildings represented a commercial property and the fair value measurements as at 31 December 2016 using significant unobservable inputs (Level 3).

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value hierarchy (Continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses. their carrying amount would have been approximately HK$64,872,000 (2015: HK$72,767,000).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial property HK$'000
Carrying amount at 1 January 2015	–
Acquisition of assets through acquisition of a subsidiary (note 34)	73,413
Depreciation provided during the year	(448)
Deficit on revaluation	(2,067)
Exchange realignment	(698)
Carrying amount at 31 December 2015	70,200
Depreciation provided during the year	(2,560)
Deficit on revaluation	(17,261)
Exchange realignment	(4,567)
Carrying amount at 31 December 2016	45,812

The fair values of the leasehold land and building was determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value hierarchy (Continued)

Below is a summary of the key inputs to the valuation of leasehold land and building:

	Significant unobservable inputs	Range 2016	Range 2015
Commercial property	Estimated sales value (per s.q.m.) (RMB)	48,000 to 58,000	N/A
	Estimated rental value (per s.q.m. and per month) (RMB)	N/A	160 to 185

The fair value of the leasehold land and building was based on the highest and best use of leasehold land and building in the Mainland China, which did not differ from their actual use.

A significant increase/(decrease) in the estimated rental value per square meter would result in a significant increase/(decrease) in the fair value of the leasehold land and building.

At 31 December 2016, the Group's leasehold land and building with a net carrying amount of HK$45,812,000 were pledged to secure general banking facilities granted to the Group (note 27).

14. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January	**552,900**	135,730
Additions	**–**	106,100
Acquisition of assets through acquisition of subsidiaries (note 34)	**309,597**	225,000
Net gain from a fair value adjustment (note 5)	**270,479**	90,076
Exchange realignment	**(26,451)**	(4,006)
Carrying amount at 31 December	**1,106,525**	552,900

The Group's investment properties consist of six (2015: five) residential apartments and two (2015: two) car park spaces in Hong Kong, and one (2015: one) commercial building and two (2015: one) industrial properties in Mainland China. The directors of the Company have determined that the investment properties consist of four classes of asset, i.e., commercial building, car park spaces, industrial property and residential apartments, based on the nature, characteristics and risks of each property.

14. INVESTMENT PROPERTIES (Continued)

The Group's investment properties were revalued on 31 December 2016 based on valuations performed by Roma Appraisals Limited (2015: B.I. Appraisals Limited), independent professionally qualified valuers, at HK$1,106,525,000 (2015: HK$552,900,000). Each year, the Group's chief financial officer decides, after approval from the Board of Directors to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained. The Group's chief financial officer has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

At 31 December 2016, the Group's investment properties with a carrying value of HK$396,325,000 (2015: HK$288,000,000) were pledged to secure a general banking facilities granted to the Group (note 27).

An investment property located in the PRC with carrying amount of HK$469,800,000 as at 31 December 2016 was subject to a seizure ruling made by a court in the PRC for a value equivalent to approximately HK$36,585,000, following a legal action taken by a third party. Further details of the legal case are given in note 36 to the financial statements. The directors believe that the seizure ruling does not have any significant impact on the Group's operation.

Further particulars of the Group's investment properties are included on page 156.

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Residential apartments	–	–	393,425	393,425
Car park spaces	–	–	2,900	2,900
Commercial building	–	–	85,300	85,300
Industrial property	–	–	624,900	624,900
	–	–	1,106,525	1,106,525

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Residential apartments	–	–	334,400	334,400
Car park spaces	–	–	2,800	2,800
Commercial building	–	–	93,800	93,800
Industrial property	–	–	121,900	121,900
	–	–	552,900	552,900

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

14. INVESTMENT PROPERTIES (Continued)

The fair values of the investment properties were determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Investment properties held by the Group	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2016	2015
Residential units in Festival City, Shatin, Hong Kong	Sales comparison method	Estimated sales value (per s.q.ft.) (HK$)	**11,600 to 12,500**	10,230 to 14,578
Residential unit in Parc Oasis, Kowloon, Hong Kong	Sales comparison method	Estimated sales value (per s.q.ft.) (HK$)	**17,300 to 20,000**	14,132 to 18,836
Residential unit in The Riverpark, Shatin, Hong Kong	Sales comparison method	Estimated sales value (per s.q.ft.) (HK$)	**14,300 to 16,000**	11,378 to 18,813
Residential unit in Bel-Air, Island South, Hong Kong	Sales comparison method	Estimated sales value (per s.q.ft.) (HK$)	**60,000 to 75,200**	55,000 to 75,900
Residential unit in Bel-Air, Island South, Hong Kong	Sales comparison method	Estimated sales value (per s.q.ft.) (HK$)	**21,500 to 26,200**	N/A
Car park space in Festival City, Shatin, Hong Kong	Sales comparison method	Estimated sales value (per bay) (HK$ thousand)	**1,830 to 2,008**	1,950 to 2,050
Car park space in Parc Oasis, Kowloon, Hong Kong	Sales comparison method	Estimated sales value (per bay) (HK$ thousand)	**880 to 920**	710 to 930

14. INVESTMENT PROPERTIES (Continued)

Investment properties held by the Group	Valuation techniques	Significant unobservable inputs	Range or weighted average	
			2016	2015
Commercial building in Shenzhen, Guangdong Province, the PRC	Sales comparison method	Estimated sales value (per s.q.m.) (RMB)	**50,000 to 75,000**	70,000 to 75,000
Industrial property in Shenzhen, Guangdong Province, the PRC	Sales comparison method (2015: Income approach)	Estimated sales value (per s.q.m.) (RMB)	**6,300 to 7,600**	N/A
		Reversionary rental value (per s.q.m. and per month (RMB))	**N/A**	20 to 24
		Field rate	**N/A**	4.8% to 5.0%
Industrial property in Shenzhen, Guangdong Province, the PRC	Sales comparison method	Estimated sales value (per s.q.m.) (RMB)	**8,200 to 10,000**	N/A

The sales comparison method is adopted by making reference to comparable market transactions in the assessment of the fair value of a property interest. The approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors, including the transaction date, location traffic condition, environmental factors, commercial atmosphere and size of land, etc.

Under the income approach, the valuation is taken into account the net rental income of the properties derived from the existing leases and/or achievable in existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate.

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

15. GOODWILL

	HK$'000
Cost at 1 January 2015	–
Acquisition of a subsidiary (note 33)	2,100
At 31 December 2015, 1 January 2016 and 31 December 2016	2,100
At 31 December 2016 and 2015:	
Cost and net carrying amount, net of accumulated impairment	2,100

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the securities brokerage cash-generating unit for impairment testing.

The recoverable amount of the securities brokerage cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 18.7% and the cash flows beyond the five-year period were extrapolated using a growth rate of 3.0%.

The carrying amount of goodwill allocated to the securities brokerage cash-generating unit is as follows:

	HK$'000
Carrying amount of goodwill	2,100

Assumptions were used in the value in use calculation of the securities brokerage cash-generating unit for 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Financial budget – The basis used to determine the value assigned to the financial budget is the best estimate based on the comparable of the same industry and the long term growth rate of 3% is applied.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units. The discount rate is consistent with external information sources.

16. OTHER INTANGIBLE ASSET

Trading right	HK$'000
Cost at 1 January 2015	–
Acquisition of a subsidiary (note 33)	4,400
At 31 December 2015, 1 January 2016 and 31 December 2016	4,400

Upon the adoption of HKAS 38, the trading right has been considered to have an indefinite life because it is expected to contribute to the net cash flows of the Group indefinitely, and is not amortised.

The other intangible asset is allocated to the securities brokerage cash-generating unit for the impairment testing. Details of impairment testing are set out in note 15 to the financial statements.

17. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services on certain equipment in Mainland China to a related company (note 40(b)(ii)). These leases are classified as finance leases and have remaining lease terms of five (2015: five) years.

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	**3,240**	2,085	**2,619**	1,601
In the second to fifth years, inclusive	**7,496**	7,526	**6,401**	6,546
	10,736	9,611	**9,020**	8,147
Less: unearned finance income	**(1,716)**	(1,464)		
Total net finance lease receivables	**9,020**	8,147		

	2016	2015
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current assets	**2,619**	1,601
Non-current assets	**6,401**	6,546
	9,020	8,147

The Group's finance lease receivables are denominated in Renminbi ("RMB"), which is the functional currency of the relevant group entity.

The unguaranteed residual value of assets leased under finance leases at the end of the reporting period is zero (2015: zero).

18. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Club and school debentures, at fair value	**13,844**	13,844

19. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**23**	100
Finished goods	**6,976**	7,784
	6,999	7,884

20. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING

	2016 HK$'000	2015 HK$'000
Trade receivables	**127,171**	86,335
Impairment	**–**	–
	127,171	86,335
Receivables arising from securities broking conducted in the ordinary course of business:		
Cash clients	**9,033**	14,722
Loans to margin clients	**110,527**	101,436
Receivables arising from securities broking	**119,560**	116,158
Total trade receivables and receivables arising from securities broking	**246,731**	202,493

20. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit periods are generally one month to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, 21% (2015: 26%) and 61% (2015: 77%) of the Group's trade receivables were due from the Group's largest customer and the three largest customers respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of trade receivables and receivables arising from securities broking as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016 HK$'000	2015 HK$'000
Current to 30 days	**42,014**	43,606
31 to 60 days	**9,257**	11,892
61 to 90 days	**7,473**	10,499
Over 90 days	**77,460**	35,060
	136,204	101,057
Loans to margin clients#	**110,527**	101,436
	246,731	202,493

The movements in the provision for impairment of trade receivables are as follows:

	2016 HK$'000	2015 HK$'000
At beginning of year	**–**	599
Impairment loss recognised (note 6)	**73**	–
Amounts written off as uncollectible	**(73)**	(407)
Impairment loss reversed (note 6)	**–**	(192)
	–	–

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and such receivables are not expected to be recovered.

20. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)

The aged analysis of the trade receivables and receivables arising from securities broking that are not individually or collectively considered to be impaired is as follows:

	2016	2015
	HK$'000	HK$'000
Neither past due nor impaired	**48,946**	52,091
Less than 1 month past due	**14,569**	13,064
1 to 3 months past due	**14,264**	23,771
Over 3 months past due	**58,425**	12,131
	136,204	101,057
Loans to margin clients#	**110,527**	101,436
	246,731	202,493

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The loans to margin clients are secured by the underlying pledged securities, are repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as, in the opinion of the directors, an aged analysis is not relevant in view of the nature of the business of securities margin financing. As at 31 December 2016, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$326,083,000 (2015: HK$207,827,000).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Prepayments	**31,643**	14,809
Deposits and other receivables	**21,461**	7,748
	53,104	22,557
Impairment	**–**	–
	53,104	22,557
Analysed for reporting purposes as:		
Current assets	**16,644**	8,679
Non-current assets	**36,460**	13,878
	53,104	22,557

The movements in the provision for impairment of other receivables are as follows:

	2016 HK$'000	2015 HK$'000
At beginning of year	**–**	3,458
Amounts written off as uncollectible	**–**	(3,458)
	–	–

Included in the above provision for impairment of other receivables in the prior year was a provision for individually impaired other receivables of HK$3,458,000 with a carrying amount before provision of HK$3,458,000.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and such receivables were not expected to be recovered.

22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Listed equity investments, at market value	**18,648**	14,646

The above equity investments were classified as held for trading and were, upon initial recognition, designated by the Group as financial asset at fair value through profit or loss.

23. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold securities clients' monies arising from its securities brokerage business. The Group has classified the clients' monies as "Cash held on behalf of clients" under the current assets and recognised the corresponding liabilities to respective clients on grounds that the Group is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

24. RESTRICTED CASH, PLEDGED TIME DEPOSIT AND CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**55,962**	107,846
Time deposits	**–**	102,760
	55,962	210,606
Less: Pledged time deposit	**–**	(102,760)
Restricted cash*	**(4,171)**	–
Cash and cash equivalents	**51,791**	107,846

* Bank balance of HK$4,171,000 (2015: Nil) was restricted as to use as a result of a freezing injunction granted by a court in the PRC, following a legal action taken by a third party. Further details of the legal case are given in note 36(b) to the financial statements.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$12,318,000 (2015: HK$131,318,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. RESTRICTED CASH, PLEDGED TIME DEPOSIT AND CASH AND CASH EQUIVALENTS (Continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one month and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING

	2016	2015
	HK$'000	HK$'000
Trade payables	**5,548**	5,748
Payables arising from securities broking conducted in the ordinary course of business:		
Cash clients accounts payable	**19,667**	22,558
Clearing house	**217**	4,880
Payables arising from securities broking	**19,884**	27,438
Total trade payables and payables arising from securities broking	**25,432**	33,186

25. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING (Continued)

An aged analysis of trade payables and payables arising from securities broking as at the end of the reporting period, based on invoice date, is as follows:

	2016 HK$'000	2015 HK$'000
Current to 30 days	**1,424**	7,246
31 to 60 days	**914**	1,268
61 to 90 days	**368**	805
Over 90 days	**3,059**	1,309
	5,765	10,628
Cash clients accounts payable	**19,667**	22,558
	25,432	33,186

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

Included in the cash clients accounts payable arising from dealing in securities conducted in the ordinary course of business is an amount of approximately HK$12,269,000 (2015: HK$6,806,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2016, the cash clients accounts payable included an amount of HK$132,000 (2015: HK$132,000) in respect of certain directors' undrawn monies/excess deposits placed with the Group. The cash clients accounts payable are repayable on demand and non-interest-bearing. No aged analysis is disclosed as, in the opinion of the directors, an aged analysis is not meaningful in view of the nature of the business of dealing in securities.

26. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Other payables	**9,381**	2,235
Accruals	**10,840**	13,291
	20,221	15,526

Other payables are non-interest-bearing and have an average payment term of three months.

27. INTEREST-BEARING BANK BORROWINGS

	2016			2015		
	Effective interest rate %	**Maturity**	**HK$'000**	Effective interest rate %	Maturity	HK$'000
Current						
Bank loan – secured	**Loan Prime Rate ("LPR") +2.1% p.a.**	**Within 1 year**	**24,549**	N/A	N/A	N/A
Bank loans – secured	**Hong Kong Interbank Offered Rate ("HIBOR") +1.25% to 1.5% p.a.**	**Within 1 year or on demand**	**217,140**	HIBOR +1.4% to 1.5% p.a	Within 1 year or on demand	186,760
Bank overdraft – secured	**HIBOR +1.5% p.a**	**Within 1 year or on demand**	**8,599**	HIBOR +1.5% p.a	Within 1 year or on demand	65
			250,288			186,825

27. INTEREST-BEARING BANK BORROWINGS (Continued)

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank loans and overdraft repayable:		
Within one year or on demand	**250,288**	186,825

Notes:

(a) The Group's banking facilities amounted to HK$315,999,000 (2015: HK$200,000,000), of which HK$250,288,000 (2015: HK$186,825,000) had been utilised as at the end of the reporting period.

(b) Certain of the Group's bank loans and overdraft were secured by the Company's guarantee of up to HK$291,450,000 (2015: HK$220,000,000), a mortgage over the Group's investment property situated in Hong Kong with a carrying value at the end of the reporting period of HK$396,325,000 (2015: HK$288,000,000) and mortgages over the Group's leasehold land and building with a carrying value at the end of the reporting period of HK$45,812,000.

(c) In the prior year, a bank loan was secured by the pledge of a time deposit amounting to HK$102,760,000.

(d) Except for the secured bank loan of HK$24,549,000 (2015: Nil) which is denominated in RMB, all bank borrowings are in Hong Kong dollars.

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Revaluation of properties	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	768	33,051	(880)	32,939
Deferred tax credited to the statement of profit or loss during the year (note 10)	92	14,474	–	14,566
Exchange realignment	–	(1,430)	–	(1,430)
At 31 December 2015 and 1 January 2016	860	46,095	(880)	46,075
Deferred tax credited to the statement of profit or loss during the year (note 10)	224	125,085	570	125,879
Exchange realignment	–	(2,982)	–	(2,982)
At 31 December 2016	1,084	168,198	(310)	168,972

28. DEFERRED TAX (Continued)

Deferred tax assets

	Depreciation in excess of related depreciation allowance HK$'000
At 1 January 2015	(137)
Deferred tax charged to the statement of profit or loss during the year (note 10)	106
At 31 December 2015 and 1 January 2016	(31)
Deferred tax credited to the statement of profit or loss during the year (note 10)	(157)
At 31 December 2016	(188)

The Group has estimated tax losses arising in Hong Kong of approximately HK$100,491,000 (2015: HK$63,094,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated tax losses arising in Mainland China of approximately HK$9,277,000 (2015: HK$4,206,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and in the opinion of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

28. DEFERRED TAX (Continued)

At 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the directors, it is not probable that the subsidiary will distribute such earnings in the foreseeable future. No temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised at 31 December 2016 (2015: Nil). At 31 December 2016, there were no unremitted earnings (2015: Nil) of the Group's subsidiary established in Mainland China.

At 31 December 2016, there was no significant unrecognised deferred tax liability (2015: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. LOANS FROM THE ULTIMATE HOLDING COMPANY

	2016	2015
	HK$'000	HK$'000
Loans from the ultimate holding company	**241,596**	–

Loans from the ultimate holding company were unsecured, interest-bearing at 8.2% per annum and not repayable within 12 months as at the end of the reporting period.

30. SHARE CAPITAL

Shares

	2016	2015
	HK$'000	HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,150,001,398 (2015: 1,153,491,398) ordinary shares of HK$0.10 each	**115,000**	115,349

A summary of movements in the Company's share capital is as follows:

	Number of ordinary shares in issue	Share capital
		HK$'000
At 1 January 2015	794,191,398	79,419
Issuance of new shares on subscription (note (a))	360,000,000	36,000
Repurchase and cancellation of shares (note (b))	(700,000)	(70)
At 31 December 2015 and 1 January 2016	1,153,491,398	115,349
Repurchase and cancellation of shares (note (c))	(3,490,000)	(349)
At 31 December 2016	1,150,001,398	115,000

Notes:

(a) On 1 April 2015, the subscription of 360,000,000 new shares at a subscription price of HK$1.40 per share by Manureen Holdings Limited, the ultimate holding company, was completed.

(b) In the prior year, the Company repurchased a total of 700,000 of its own shares on the Stock Exchange for a total consideration of HK$1,746,000. The purchased shares were cancelled on 30 September 2015 and the premium paid on the repurchase of HK$1,676,000 was charged to the share premium account as set out in the consolidated statement of changes in equity.

(c) During the year, the Company repurchased a total of 3,490,000 of its own shares on the Stock Exchange for a total consideration of HK$17,556,000. The purchased shares were cancelled on 30 September 2016 and the premium paid on the repurchase of HK$17,207,000 was charged to the share premium account as set out in the consolidated statement of changes in equity.

30. SHARE CAPITAL (Continued)

Share options

Details of the Company's share option scheme and the share options granted under the scheme are included in note 31 to the financial statements.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and full time employees of the Group. The Scheme became effective on 10 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Scheme on 10 August 2012. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of two years and ends on a date which is not later than ten years from the date of the grant of the option but subject to the provisions for early termination of the Scheme. Unless otherwise determined by the directors at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

31. SHARE OPTION SCHEME (Continued)

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2016 **Weighted average exercise price HK$ per share**	**Number of options '000**
At 1 January	**4.11**	**11,660**
Forfeited during the year	**4.11**	**(1,500)**
At 31 December		**10,160**

	2015 Weighted average exercise price HK$ per share	Number of options '000
At 1 January	–	–
Granted during the year	4.11	11,960
Forfeited during the year	4.11	(300)
At 31 December		11,660

No share options were vested or exercised during the year ended 31 December 2016 (2015: Nil).

31. SHARE OPTION SCHEME (Continued)

The fair value of the share options granted on 20 May 2015 was HK$22,246,000 (HK$1.86 each), of which the Group recognised a share option expense of HK$10,609,000 (2015: HK$6,876,000) during the year ended 31 December 2016.

The fair value of equity-settled share options granted on 20 May 2015 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs at the grant date to the model used:

Dividend yield (%)	0
Expected volatility (%)	60
Historical volatility (%)	60
Risk-free interest rate (%)	1.86
Exercise multiple (time)	1.5
Expected life of options (year)	10
Weighted average share price (HK$ per share)	4.11

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 10,160,000 (2015: 11,660,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 10,160,000 additional ordinary shares of the Company and additional share capital and share premium of HK$1,016,000 and HK$40,741,600 (before issue expenses).

At the date of approval of these financial statements, the Company had 10,160,000 share options outstanding under the Scheme, which represented approximately 0.88% of the Company's shares in issue as at that date. The total number of shares of the Company available for issue under the Scheme was 63,535,311, representing approximately 5.5% of the Company's shares in issue at that date.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 47 to 48 of the financial statements.

33. BUSINESS COMBINATION

On 8 May 2015, the Group acquired a 100% interest in Realord Manureen Securities Limited ("Realord Manureen Securities") (formerly known as "Manureen Securities Limited") from Madam Su Jiaohua, the substantial shareholder of the Company. Realord Manureen Securities is principally engaged in the provision of securities brokerage services. The acquisition was made as part of the Group's strategy to participate in the securities trading industry and allow the Group to diversify from its existing businesses. The purchase consideration for the acquisition, in the form of cash, was HK$18,812,000 which was fully settled in the prior year. The acquisition was a related party transaction and constituted a connected transaction as defined in Chapter 14A of the Listing Rules.

The fair values of the identifiable assets and liabilities of Realord Manureen Securities as at the acquisition date were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	13	475
Other intangible asset	16	4,400
Deposits		275
Receivables arising from securities broking		12,806
Prepayments		71
Cash held on behalf of clients		10,663
Cash and bank balances		10,196
Payables arising from securities broking		(21,564)
Other payables and accruals		(610)
Total identifiable net assets at fair value		16,712
Goodwill on acquisition		2,100
Satisfied by cash		18,812

The fair values of the receivables arising from securities broking as at the date of acquisition amounted to HK$12,806,000. No receivables are expected to be uncollectible.

The Group incurred transaction costs of HK$245,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss in the prior year.

33. BUSINESS COMBINATION (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(18,812)
Cash and bank balances acquired	10,196
Net outflow of cash and cash equivalents included in cash flows from investing activities	(8,616)
Transaction costs of the acquisition included in cash flows from operating activities	(245)
	(8,861)

Since the acquisition, Realord Manureen Securities contributed HK$4,961,000 to the Group's revenue and incurred a loss of HK$1,239,000 which was included in the Group's results for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year ended 31 December 2015, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2015 would have been HK$202,982,000 and HK$30,770,000, respectively.

34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

(a) On 6 June 2015, the Group acquired a 100% equity interest in Concept Star Corporation Limited ("Concept Star"), from an independent third party, at a cash consideration of HK$225,517,000. Concept Star is engaged in investment holding.

(b) On 17 March 2015, the Group acquired a 100% equity interest in Lake King Holdings Limited and its subsidiary ("Lake King Group"), from Mr. Lin Jingming, who is the father of Dr. Lin Xiaohui, a substantial shareholder of the Company, at a cash consideration of HK$2,000,000. Lake King Group is engaged in investment holding. The acquisition was a related party transaction and constituted a connected transaction as defined in Chapter 14A of the Listing Rules.

(c) On 11 November 2015, the Group acquired a 100% equity interest in Manureen Group Holdings Limited and its subsidiaries ("Manureen Group"), from Dr. Lin Xiaohui and Madam Su Jiaohua, the substantial shareholders of the Company, at a cash consideration of HK$48,000,000. Manureen Group is engaged in investment in property and financial assets. The acquisition was a related party transaction and constituted a connected transaction as defined in Chapter 14A of the Listing Rules.

34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

(d) On 26 January 2016, the Group acquired a 100% equity interest in Excellent Well (H.K.) Limited ("Excellent Well"), from an independent third party, at a cash consideration of HK$25,834,000. Excellent Well is engaged in property investment.

(e) On 24 June 2016, the Group acquired a 100% equity interest in Citibest Global Limited and its subsidiary ("Citibest Group"), from an independent party, at a cash consideration of HK$284,553,000. Citibest Group is engaged in property investment.

All of the above transactions were accounted for as purchases of assets and liabilities rather than as business combinations because Concept Star, Lake King Group, Manureen Group, Excellent Well and Citibest Group have not carried out any significant business transactions prior to the date of acquisition.

The assets acquired during the year ended 31 December 2016 were as follows:

Excellent Well

	HK$'000
Investment property	25,800
Prepayments and deposits	34
Shareholder's loan	(13,254)
Net assets	12,580
Assignment of a shareholder's loan	13,254
	25,834
Satisfied by	
Cash	23,254
Prepayment	2,580
	25,834
Net outflow of cash and cash equivalents	(23,254)

34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

The assets acquired during the year ended 31 December 2016 were as follows: (Continued)

Citibest Group

	HK$'000
Investment property	283,797
Cash and bank balances	2,439
Shareholder's loan	(35,354)
Other payables and accruals	(1,683)
Net assets	249,199
Assignment of a shareholder's loan	35,354
Satisfied by cash	284,553
Cash consideration	(284,553)
Cash and bank balances acquired	2,439
Net outflow of cash and cash equivalents	(282,114)

The assets acquired during the year ended 31 December 2015 were as follows:

Concept Star

	HK$'000
Investment property	225,000
Prepayments, deposits and other receivables	157
Shareholder's loan	(130,517)
Net assets	94,640
Assignment of a shareholder's loan	130,517
Satisfied by cash	225,157
Cash consideration	(225,157)
Cash and bank balances acquired	–
Net outflow of cash and cash equivalents	(225,157)

34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

The assets acquired during the year ended 31 December 2015 were as follows: (Continued)

Lake King Group

	HK$'000
Property, plant and equipment	1,719
Prepayments, deposits and other receivables	22
Cash and bank balances	273
Other payables	(14)
Net assets	2,000
Satisfied by cash	2,000
Cash consideration	(2,000)
Cash and bank balances acquired	273
Net outflow of cash and cash equivalents	(1,727)

Manureen Group

	HK$'000
Property, plant and equipment	73,413
Finance lease receivables	8,592
Cash and bank balances	3,122
Shareholder's loan	(11,826)
Due to a related company	(37,070)
Other payables and accruals	(57)
Net assets	36,174
Assignment of shareholder's loan	11,826
Satisfied by cash	48,000
Cash consideration	(48,000)
Cash and bank balances acquired	3,122
Net outflow of cash and cash equivalents	(44,878)

35. MAJOR NON-CASH TRANSACTION

During the year, part of the consideration of HK$25,834,000 for the acquisition of Excellent Well (note 34(d)) was satisfied by a prepayment of HK$2,580,000 made in the prior year.

36. CONTINGENT LIABILITIES

(a) Citibest and Guan Zhang, subsidiaries of the Group, are currently defendants in a lawsuit brought by a third party, 深圳市新有序規劃設計有限公司 (Shenzhen Xin You Xu Planning and Design Company Limited), alleging that Citibest and Guan Zhang are liable to settle the outstanding agency fee and interest accrued thereon. An investment property located in the PRC was subject to a seizure ruling made by a court in the PRC for a value equivalent to approximately HK$36,585,000 regarding to this litigation. The directors, based on the legal advice from the Group's external legal counsel, believe that Citibest and Guan Zhang have a valid defense against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

(b) Guan Zhang, a subsidiary of the Group, is currently a defendant in a lawsuit brought by a third party, 深圳市沪田利商貿有限公司 (Shenzhen Shi Hui Tian Li Business Trading Company Limited), alleging that Guan Zhang is liable to settle an outstanding payment of approximately RMB25 million and interest accrued thereon. Bank balance of HK$4,171,000 was restricted as to use as a result of a freezing injunction granted by a court in the PRC regarding to this litigation. The directors, based on the legal advice from the Group's external legal counsel, believe that Guan Zhang has a valid defense against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

37. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank borrowings which are secured by the assets of the Group, are included in note 27 to the financial statements.

38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

At 31 December 2016, the Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**17,803**	5,303
In the second to fifth years, inclusive	**9,323**	4,910
	27,126	10,213

(b) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for these properties and other assets are negotiated for terms ranging from one to three years (2015: one to three years).

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**18,640**	18,238
In the second to fifth years, inclusive	**17,184**	31,328
	35,824	49,566

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
Contracted, but not provided for:		
Investment property	**1,955**	4,600
Equity investments	**390,594**	–
	392,549	4,600

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2016 HK$'000	2015 HK$'000
Interest income on finance lease receivables from a related company	(i)	**662**	236
Interest expense on loans from the ultimate holding company	(ii)	**16,234**	–
Rental fee paid to directors and substantial shareholders	(iii)	**264**	–

Notes:

(i) The interest income on finance lease receivables was earned based on the prevailing market rate.

(ii) The interest charged on loans from the ultimate holding company was based on the prevailing market rate.

(iii) The rental fee paid was aligned with the market rental rate.

40. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties:

(i) During the year, the Group received loans from the ultimate holding company of HK$241,596,000. Further details of the transaction are included in note 29 to the financial statements.

(ii) During the current and the prior year, the Group had finance lease receivables due from a company jointly owned by Dr. Lin Xiaohui and Madam Su Jiaohua, both of whom are directors and substantial shareholders of the Company.

(iii) In the prior year, the Group acquired Lake King Group at a cash consideration of HK$2,000,000 from Mr. Lin Jingming, who is the father of Dr. Lin Xiaohui and Mr. Lin Xiaodong, both of whom are directors of the Company. Further details of the transaction are included in note 34 to the financial statements.

(iv) In the prior year, the Group acquired Realord Manureen Securities from Madam Su Jiaohua, a substantial shareholder of the Company, at a consideration of HK$18,812,000. Further details of the transaction are included in note 33 to the financial statements.

(v) In the prior year, the Company issued 360,000,000 shares of the Company to Manureen Holdings Limited, the ultimate holding company of the Company, at the subscription price of HK$1.40 per share.

(vi) In the prior year, the Group acquired Manureen Group together with its shareholder's loan from Dr. Lin Xiaohui and Madam Su Jiaohua, both of whom are directors and substantial shareholders of the Company, at a cash consideration of HK$48,000,000. Further details of the transaction are included in note 34 to the financial statements.

The related party transactions in respect of the above items also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

40. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group:

	2016 HK$'000	2015 HK$'000
Short term employee benefits	7,092	5,910
Post-employment benefits	54	39
Equity-settled share option expense	4,498	2,749
	11,644	8,698

Further details of directors' emoluments are included in note 8 to the financial statements.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each category of financial instruments as at the end of the reporting period are as follows:

2016

Financial assets

	Financial assets at fair value through profit or loss-held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	13,844	13,844
Trade receivables	–	127,171	–	127,171
Receivables arising from securities broking	–	119,560	–	119,560
Financial assets included in prepayments, deposits and other receivables	–	21,461	–	21,461
Finance lease receivables	–	9,020	–	9,020
Equity investments at fair value through profit or loss	18,648	–	–	18,648
Cash held on behalf of clients	–	11,634	–	11,634
Restricted cash	–	4,171	–	4,171
Cash and cash equivalents	–	51,791	–	51,791
	18,648	344,808	13,844	377,300

41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each category of financial instruments as at the end of the reporting period are as follows: (Continued)

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	**5,548**
Payables arising from securities broking	**19,884**
Financial liabilities included in other payables and accruals	**8,743**
Interest-bearing bank borrowings	**250,288**
Loans from the ultimate holding company	**241,596**
	526,059

41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each category of financial instruments as at the end of the reporting period are as follows: (Continued)

2015

Financial assets

	Financial assets at fair value through profit or loss-held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	13,844	13,844
Trade receivables	–	86,335	–	86,335
Receivables arising from securities broking	–	116,158	–	116,158
Financial assets included in prepayments, deposits and other receivables	–	7,748	–	7,748
Finance lease receivables	–	8,147	–	8,147
Equity investments at fair value through profit or loss	14,646	–	–	14,646
Cash held on behalf of clients	–	10,443	–	10,443
Pledged time deposit	–	102,760	–	102,760
Cash and cash equivalents	–	107,846	–	107,846
	14,646	439,437	13,844	467,927

41. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each category of financial instruments as at the end of the reporting period are as follows: (Continued)

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	5,748
Payables arising from securities broking	27,438
Financial liabilities included in other payables and accruals	10,619
Interest-bearing bank borrowings	186,825
	230,630

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The available-for-sale investments and equity investments at fair value through profit or loss were carried at fair values at the end of the reporting period.

Management has assessed that the fair values of trade receivables, receivables arising from securities broking, financial assets included in prepayments, deposits and other receivables, finance lease receivables, pledged time deposit, cash held on behalf of clients, restricted cash, cash and cash equivalents, trade payables, payables arising from securities broking, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and loans from the ultimate holding company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's account department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The account manager reports directly to the chief financial officer. At each reporting date, the account department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the Board of Directors annually.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of non-current finance lease receivables and non-current deposits paid have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. Such discounting effect was assessed to be insignificant as at 31 December 2016 and 31 December 2015.

The fair values of available-for-sale investments and equity investments at fair value through profit or loss are based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group' financial instruments:

Assets measured at fair value:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investments	13,844	–	–	13,844
Equity investments at fair value through profit or loss	18,648	–	–	18,648
	32,492	–	–	32,492

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investments	13,844	–	–	13,844
Equity investments at fair value through profit or loss	14,646	–	–	14,646
	28,490	–	–	28,490

The Group did not have any financial liabilities measured at fair value as at 31 December 2016 and 2015.

During the year, 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 (2015: Nil).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, loans from the ultimate holding company, pledged time deposit, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board reviews and agrees policies for managing such risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowing with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 27 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings. Management monitors interests rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors consider that any potential possible change in market interest rates will have minimal impact on the Group's profit after taxation for the year and therefore no sensitivity analysis was provided in respect of potential movements in interest rates.

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from revenue or expenses by operating units in currencies other than the units' functional currencies. The Group's monetary assets, financing and transactions are principally denominated in RMB and HK$. The Group is exposed to the foreign exchange risk arising from changes in the exchange rate of HK$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	HK$'000	HK$'000
2016			
If the Hong Kong dollar weakens against RMB	**3**	**(2,939)**	**(2,939)**
If the Hong Kong dollar strengthens against RMB	**(3)**	**2,939**	**2,939**
2015			
If the Hong Kong dollar weakens against RMB	3	3,090	3,090
If the Hong Kong dollar strengthens against RMB	(3)	(3,090)	(3,090)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group's receivables from margin clients arising from the ordinary course of business of dealing in securities are secured by the underlying pledged securities. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise available-for-sale investments, other receivables, finance lease receivables, cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flow from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and loans from the ultimate holding company.

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

Group

	2016			
	On demand	Less than 1 year	1 to 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	–	5,548	–	5,548
Payables arising from securities broking	11,852	8,032	–	19,884
Financial liabilities included in other payables and accruals	–	8,743	–	8,743
Interest-bearing bank borrowings	225,739	24,549	–	250,288
Loans from the ultimate holding company	–	–	261,407	261,407
	237,591	46,872	261,407	545,870

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	2015			
	On demand HK$'000	Less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	–	5,748	–	5,748
Payables arising from securities broking	6,806	20,632	–	27,438
Financial liabilities included in other payables and accruals	–	10,619	–	10,619
Interest-bearing bank borrowings	186,825	–	–	186,825
	193,631	36,999	–	230,630

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The fair values of these listed equity investments are affected by market forces and other factors. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 22) as at 31 December 2016 and 31 December 2015. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Equity price risk (Continued)

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before and impact on tax, based on their carrying amounts as at the end of the reporting period.

	Carrying amount of equity investments HK$'000	Increase/ decrease in profit before tax HK$'000	Increase/ decrease in equity HK$'000
2016			
Investments listed in Hong Kong:			
Held-for-trading	**18,648**	**1,864**	**1,864**
2015			
Investments listed in Hong Kong:			
Held-for-trading	14,646	1,465	1,465

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is the total of interest-bearing bank borrowings and loans from the ultimate holding company divided by total equity. The Group's policy is to maintain the gearing ratio at an appropriate level. The gearing ratios as at the end of the reporting periods are as follows:

	2016	2015
	HK$'000	HK$'000
Interest-bearing bank borrowings	**250,288**	186,825
Loans from the ultimate holding company	**241,596**	–
	491,884	186,825
Equity attributable to owners of the Company	**898,097**	854,412
Gearing ratio	**55%**	22%

44. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables represent details of financial instruments subject to offsetting at the end of the reporting periods.

At 31 December 2016

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Cash collateral pledge HK$'000	
Assets						
Receivables arising from securities broking	386,413	(266,853)	119,560	–	–	119,560

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position		Net amount HK$'000
				Financial instruments HK$'000	Cash collateral pledge HK$'000	
Liabilities						
Payables arising from securities broking	287,154	(266,853)	20,301	–	–	20,301

44. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

At 31 December 2015

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledge	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets						
Receivables arising from securities broking	137,035	(20,877)	116,158	–	–	116,158

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral pledge	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Liabilities						
Payables arising from securities broking	48,315	(20,877)	27,438	–	–	27,438

45. EVENT AFTER THE REPORTING PERIOD

On 28 February 2017, the Group acquired a 60% interest in Top Eagle International Trading Limited ("Top Eagle") and its subsidiary. The principal activities of Top Eagle and its subsidiary are the dismantling and trading of scrap materials and acting as an agent by sourcing scrap materials in the PRC. The Group has acquired Top Eagle to further diversify the business scope of the Group with the objective of broadening the Group's sources of income. The purchase consideration includes a cash consideration of HK$25,000,000 and the allotment and issuance of up to 5,000,000 new shares by the Company. The cash consideration of HK$25,000,000 was paid on 28 February 2017 while the shares were not yet issued as the conditions for the allotment and issuance of the shares were not fulfilled. Upon the completion of acquisition, Top Eagle and its subsidiary became non-wholly subsidiaries of the Company. Because the acquisition of Top Eagle was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**3,095**	4,141
Investments in subsidiaries	**68,026**	68,018
Prepayments, deposits and other receivables	**3,970**	–
Total non-current assets	**75,091**	72,159
CURRENT ASSETS		
Due from subsidiaries	**1,089,911**	772,482
Prepayments, deposits and other receivables	**3,359**	5,318
Cash and cash equivalents	**13,400**	29,615
Total current assets	**1,106,670**	807,415
CURRENT LIABILITIES		
Due to subsidiaries	**206,464**	95,886
Other payables and accruals	**5,075**	3,586
Total current liabilities	**211,539**	99,472
NET CURRENT ASSETS	**895,131**	707,943
TOTAL ASSETS LESS CURRENT LIABILITIES	**970,222**	780,102
NON-CURRENT LIABILITIES		
Loans from the ultimate holding company	**241,596**	–
Net assets	**728,626**	780,102
EQUITY		
Share capital	**115,000**	115,349
Reserves (note)	**613,626**	664,753
Total equity	**728,626**	780,102

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

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2015	141,473	–	79,801	221,274
Total comprehensive loss for the year	–	–	(29,792)	(29,792)
Issuance of new shares on subscription	468,000	–	–	468,000
Repurchase of shares	(1,676)	–	–	(1,676)
Equity-settled share option arrangements	–	6,947	–	6,947
Transfer of share option reserve upon the forfeiture of share options	–	(71)	71	–
At 31 December 2015	607,797	6,876	50,080	664,753
Total comprehensive loss for the year	–	–	(44,529)	(44,529)
Repurchase of shares	(17,207)	–	–	(17,207)
Equity-settled share option arrangements	–	10,609	–	10,609
Transfer of share option reserve upon the forfeiture of share options	–	(1,689)	1,689	–
At 31 December 2016	590,590	15,796	7,240	613,626

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

47. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and business	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Easy Yield Ventures Limited*	British Virgin Islands	US$1,000 ordinary shares	100	–	Investment holding
Elite Trend Developments Limited*	British Virgin Islands	US$1,000 ordinary shares	100	–	Investment holding
Realord Asset Management Limited	Hong Kong	HK$10,000 ordinary shares	100	–	Asset management and investment holding
Realord (BVI) Enterprises Limited*	British Virgin Islands	HK$10,000 ordinary shares	100	–	Investment holding
Realord Investment Enterprises Limited*	British Virgin Islands	US$1 ordinary share	100	–	Investment holding
Realord Manureen Financial Group Limited*	British Virgin Islands	US$1,000 ordinary shares	100	–	Investment holding
Realord Real Estate Investment Limited*	British Virgin Islands	US$1,000 ordinary shares	100	–	Investment holding
Way Strong Holdings Limited*	British Virgin Islands	US$1,000 ordinary shares	100	–	Investment holding
Citibest Global Limited*	British Virgin Islands	US$50,000 ordinary shares	–	100	Investment holding
Capital Conference Services Limited	Hong Kong	HK$10,000 ordinary shares	–	100	Provision of conference services
Capital Financial Press Limited	Hong Kong	HK$800,000 ordinary shares	–	100	Commercial printing

47. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration and business	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chun Ming Printing Factory Company Limited	Hong Kong	HK$150,000 ordinary shares	–	100	Manufacture and sale of hangtags, labels and shirt paper boards
Concept Star Corporation Limited*	Hong Kong	HK$2 ordinary shares	–	100	Property investment
Easy Bloom Investment Limited	Hong Kong	HK$1 ordinary share	–	100	Property investment and investment holding
Lake King Holdings Limited*	Hong Kong	HK$1 ordinary share	–	100	Investment holding
Manureen Group Holdings Limited*	Hong Kong	HK$10,000 ordinary shares	–	100	Investment holding
Manureen International Commerce Company Limited	Hong Kong	HK$500,000 ordinary shares	–	100	Investment holding
Realord E-Commerce Limited	Hong Kong	HK$10,000 ordinary shares	–	100	Trading of products
Qualiti Printing and Sourcing Limited	Hong Kong	HK$3,750,000 ordinary shares	–	100	Trading of hangtags, labels and shirt paper boards
Realord Manureen Securities Limited*	Hong Kong	HK$140,000,000 ordinary shares	–	100	Provision of securities broking services and margin financing
Realord Vehicle Parts Limited	Hong Kong	HK$10,000 ordinary shares	–	100	Distribution and sale of motor vehicle parts

47. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration and business	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Excellent Well (H.K.) Limited*	Hong Kong	HK$1 ordinary share	–	100	Property investment
偉祿商業(深圳)有限公司*#	PRC/Mainland China	Paid-up capital of HK$36,000,000	–	100	Trading of electronic products and computer components/property investment
偉祿網絡科技(深圳)有限公司*#	PRC/Mainland China	Paid-up capital of US$149,982	–	100	Development and sale of e-commerce technology/trading of products
深圳市偉祿商業控股有限公司*	PRC/Mainland China	Paid-up capital of RMB32,000,000	–	100	Property investment
前海美林融資租賃(深圳)有限公司*#	PRC/Mainland China	Paid-up capital of US$6,506,880	–	100	Provision of financial leasing services
前海偉祿跨境電子商務(深圳)有限公司*#	PRC/Mainland China	Paid-up capital of HK$115,000,000	–	100	Development and sale of e-commerce platform/trading of products
冠彰電器(深圳)有限公司*#	PRC/Mainland China	Paid-up capital of HK$30,000,000	–	100	Property investment

47. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

The subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

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

48. COMPARATIVE AMOUNTS

As further explained in notes 4 and 5 to the financial statements, rental income of HK$5,714,000 for the year ended 31 December 2015 was reclassified from other income to revenue as property investment was considered by management to be an operating segment of the Group during the year.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2017.

PARTICULARS OF MAJOR INVESTMENT PROPERTIES

Particulars of the major investment properties held by the Group at the end of the reporting period are as follows:

Location	Use/Status	Type	Tenure	Attributable interest of the Group
Hong Kong				
House No. 25, Villa Bel-Air, Bel-Air on the Peak, Island South, No. 25 Bel-Air Peak Rise, Hong Kong	Vacant	Residential	Medium term lease	100%
Mainland China				
Units 3306 to 3310, 33rd Floor, Excellence Time Square, Junction of Yi Tian Road and Fu Hua Road, Central District, Fu Tian District, Shenzhen, Guangdong Province, the PRC	Rental	Commercial	Medium term lease	100%
The industrial complex at No. 5 Fuye Road, Shengkeng Community, Zhangkengjing, Guanlan, Longhua New District, Shenzhen, Guangdong Province, the PRC	Rental	Industrial	Medium term lease	100%
The industrial complex situated in Qiankeng Industrial Zone, Fumin Community, Guanlan Town, Baoan District, Shenzhen, the PRC	Rental	Industrial	Medium term lease	100%